



Daily Report

China

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Daily Report

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5 March 1993

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General

Spokesman on Military Spending, DPRK Relations

HK0403144793 Beijing ZHONGGUO XINWEN SHE
in Chinese 1143 GMT 4 Mar 93

[Text] Beijing, 4 Mar (ZHONGGUO XINWEN SHE)—Li Jianying, Chinese Foreign Ministry spokesman, has said that the most recent reports alleging a PRC military buildup or massive weapons purchases are inaccurate and exaggerated.

Li Jianying told a news conference today that the PRC's military spending is quite low in terms of absolute value and per capita volume when compared with other countries. The PRC practices an independent, self-determining, and peaceful diplomatic policy and sees the safeguarding of world peace as its main diplomatic objective. The PRC has the necessary defensive strength, which is mainly for self-defense. The PRC poses no threat to any country.

Li Jianying said: The "China threat" theory appearing in recent newspaper reports aims to upset the PRC's friendly relations with its neighbors and to pressure the PRC. The PRC practices a good-neighborly and friendly policy. Any attempt to upset the PRC's relations with its neighbors would be futile.

Responding to a South Korean reporter's question on the PRC's relations with the DPRK, Li Jianying pointed out that the PRC and the DPRK have long been friendly and have cooperated with each other and that the two countries will continue to develop good-neighborly relations based on the Five Principles of Peaceful Coexistence.

Envoy on 'Complete Prohibition' of Space Weapons

OW0403191693 Beijing XINHUA in English 1901
GMT 4 Mar 93

[Text] Geneva, March 4 (XINHUA)—China said today that it consistently stands for the complete prohibition and thorough destruction of all space weapons.

Chinese disarmament ambassador Hou Zhitong told the Conference on Disarmament here today that countries with the largest space capabilities should immediately stop the development, testing, production and deployment of space weapons and destroy the existing space weapons.

He stressed that "specially at a time when the cold war has ended and progress in nuclear disarmament has been achieved, people should seek 'star peace' instead of 'star war'..."

Meanwhile, the Chinese delegation will also submit to the conference a document on China's position in the issue of transparency in armament (TIA).

Speaking of the issue, Hou pointed out that China addresses it "with an earnest and responsible attitude."

"We hold that the purpose of TIA should be to enhance peace, security and stability of various countries, regions and of the world," he said.

He also noted China's stand that TIA must be pursued in accordance with the principle of undiminished security of all countries.

"TIA measures should in no way compromise the right of self-defense and legitimate defense capabilities of all countries," said Hou.

"China is of the view that TIA measures should be appropriate and practicable and formulated by various countries through consultations on an equal basis," he added.

Speaking of the total ban and destruction of nuclear weapons, the Chinese ambassador indicated that states with the largest nuclear arsenals are bound to bear special responsibilities.

They should take the lead to stop the testing, improvement, production and deployment of nuclear weapons, drastically reduce their respective nuclear arsenals and check their arms race in outer space, he said.

He also briefed the conference the contributions the Chinese Government had made in promoting the nuclear disarmament, adding that China never followed a policy of "nuclear deterrent."

When it came into possession of nuclear weapons, he said, the Chinese Government took the lead in unilaterally undertaking not to be the first to use nuclear weapons at any time and under any condition.

The Chinese Government took another leading initiative as it unconditionally undertakes not to use or threaten to use nuclear weapons against non-nuclear-weapon states and nuclear-weapon-free zones, Hou said.

Delegate Refutes Accusations on Human Rights

OW0503044093 Beijing XINHUA in English 0423
GMT 5 Mar 93

[Text] Geneva, March 4 (XINHUA)—A Chinese representative today refuted attacks made by delegates from the U.S. and some European countries on the human rights situation in China by citing a lot of facts.

During the 49th session of the United Nations Commission on Human Rights, representatives from the U.S., the European Community (EC) and a few other Western countries have made unfounded allegations over China's human rights situation and are planning to sponsor a resolution.

Addressing the session today, Chinese Ambassador Jin Yongjian said that it is utterly unjustifiable for the U.S. and the EC countries to make accusations against China and to plan to initiate such a draft resolution in total disregard of the realities in China.

"It is obvious that such an action is out of political bias and motives," he noted.

He said great changes have taken place since the founding of the People's Republic of China in October 1949.

"For a long time (before 1949), around 80 percent of Chinese people suffered hunger and semi-starvation," he said.

But today, with only 7 percent of the world's arable land, China has succeeded in feeding its population that makes up 22 percent of the world's total, said the Chinese ambassador.

Facts have shown that China has made great achievements in safeguarding its people's fundamental human rights.

Over the past decade, China has been actively pursuing the policy of reform and opening to the outside world, concentrating its efforts on the development of its economy and has made great achievements recognized worldwide.

Meanwhile, China is also positively and steadily promoting political reform in light of its own conditions, he said.

"It is against this background, the U.S. and some other Western countries flagrantly attacked China and insist on sponsoring a draft resolution on the human rights situation in my country," Jin noted.

This also shows that they are trying to exert political pressure on China under the pretext of human rights, setting up obstacles and obstructing the smooth development of China, even forcing the people to give up the path of development chosen by themselves according to the conditions of their own country.

Some Western countries have claimed that failing to sponsor a resolution on China implies the application of double-standards.

"It is known to all that some Western countries have one set of standards on human rights for their own group and another for the developing countries," Jin said.

"They have sponsored so many resolutions on the human rights situation in various countries, unfairly condemning and accusing so many developing countries, yet never have they sponsored a single resolution against a country within their own group," he said.

"The U.S. representative boasted loudly the legal system of his own country in his statement yesterday, but not a single word was said about the cause of the Los Angeles incident" which had attracted the attention of the whole world, he said.

CPC To Enhance Contacts With Foreign Parties

OW0503095393 Beijing XINHUA in English 0921
GMT 5 Mar 93

[Text] Beijing, March 5 (XINHUA)—The Communist Party of China (CPC) will further expand its contacts with foreign political parties and make more friends in the world this year.

Wu Xingtang, a spokesman for the International Liaison Department of the CPC Central Committee, stressed the point in an interview with XINHUA here today.

He said that in the first two months of this year, a number of delegations of political parties from countries in Asia, Europe, Africa and Latin America visited China.

Wu said the CPC is keen to establish ties with various political parties and prominent personages from all over the world.

While continuing to maintain its friendly contacts with old friends such as leaders of political parties and parliaments in various countries as well as statesmen and prominent personages from different circles on foreign lands, he said the CPC will make particular efforts to make new friends.

Statistics show that up to now the CPC has established ties with more than 280 political parties in over 100 countries all over the world.

From the beginning of 1992 to the end of January this year the number of visits exchanged between the CPC and foreign political parties and organizations reached 200.

About 75 percent of the total were visits to China by delegations from foreign political parties.

During the 14th National Congress of the CPC held last year, the Chinese Communist Party received messages of congratulations from 108 foreign political parties.

Wu noted that these friendly contacts have not only deepened the friendship between the peoples of China and other countries, but also contributed to the reinforcement of state-to-state relations and the safeguarding of world peace and development.

He said the CPC, as a ruling party in China, will stress developing ties with other countries' ruling parties, parties involved in political affairs and parties not in office as well.

This year, he said, the CPC will further enhance its contacts with parties of the surrounding countries, especially with political parties of Japan, Korea, Vietnam, Laos, Mongolia and countries in Central Asia as well as in India, Pakistan, Nepal, Bangladesh and Sri Lanka.

In addition, the CPC will continue to maintain its contacts with political parties in Africa, Western Asia and Latin America.

Wu said the political parties of Western Asia, Africa and Latin America have paid great attention to China's reform and opening to the outside world and efforts in building socialism with Chinese characteristics, showing strong aspirations to develop relations with the CPC.

Wu said, the CPC established links last year with the Israeli Labor Party and the Palestine National Liberation Movement (Al-Fatah), and played host to 16 delegations from political parties and five groups of scholars from countries in Asia and Africa.

The CPC has long enjoyed friendly contacts with the African National Congress (ANC) of South Africa. Last year president of the ANC Nelson Mandela visited China and met CPC General Secretary Jiang Zemin.

Not long ago a delegation from the International Liaison Department of the CPC Central Committee attended an international meeting against racial segregation held by the ANC.

He noted that more delegations from political parties of Latin America came to China last year. Many political parties from countries which had not established diplomatic ties with China began to make contacts with the CPC.

Meanwhile, the CPC also developed its relationship with political parties of countries in Europe, North America and Oceania.

Last year the CPC maintained or resumed ties with political parties, organizations and prominent figures in Norway, Finland, Britain, Italy and Australia.

On its contacts with the Communist Parties of various countries, Wu said the CPC will not only develop its relationships with parties of socialist countries, but also with such parties of West European countries.

He noted that Communist Parties from West European countries sent important delegations to visit China last year while representatives of the CPC took part in some European political parties' festivals, newspaper activities or congresses.

Referring to the principles for CPC contacts with foreign political parties, Wu said the CPC has always followed the principles of independence, complete equality, mutual respect and non-interference in each other's internal affairs when establishing ties with foreign political parties so as to increase mutual understanding and co-operation in the spirit of seeking common ground while reserving differences.

Wu said China is speeding up its reform and opening to the outside world. To explore the road and strategy of development, exchange of pointers in economic construction and economic co-operation with foreign countries have become an important content for the CPC to develop its contacts with political parties of other countries.

The CPC gained a lot in sharing experience with foreign political parties in national construction, economic

structural reform and establishment of market economies, professional training and environmental protection in the past year, he said.

United States & Canada

PRC, US Sign Nature Conservation Document

OW0403123693 Beijing XINHUA in English 1039
GMT 4 Mar 93

[Text] Washington, March 3 (XINHUA)—Chinese and U.S. officials signed here on Wednesday [3 March] a document on nature conservation projects to be jointly carried out in the next two years.

The document, an annex to the Sino-U.S. Nature Conservation Protocol, is the result of a three-day working group meeting by government representatives from the two countries.

Mr. Li Lukang, of China's Ministry of Forestry, said he is happy with the meeting's outcome, which would lead to 12 projects to be implemented either in China or in the United States.

The projects cover construction and management of nature reserves; protection and propagation of wild fauna and flora species; bird banding; and protection and utilization of fishes.

Among them, one project is intended to help prevent the black foot ferret, which is enlisted as a highly endangered species, from extinction in the United States.

China does not have exactly the same animal, but has a genetic relative in abundance. Therefore, U.S. scientists would travel to China studying the Chinese ferret's biological behavior.

Results of the study are expected to add to the knowledge about the black foot ferret's reproduction and hopefully to increase its number in the United States.

Under another project, to be carried out in the United States, Chinese experts would track down the American sturgeon in the Mississippi River to learn about its living environment.

Back home in China, they would manage to use the knowledge in artificial breeding the rare Chinese sturgeon in the Yangtze River—the longest in China and the third largest in the world.

According to Chinese officials, China is rich in wildlife species and the United States has advanced technologies and management expertise for nature conservation.

Therefore, they said, the two countries are mutually complementary and their cooperation in nature conservation will be mutually beneficial.

Mr. Li, who heads the six-member Chinese team here, agreed with his U.S. counterpart, Mr. Richard Smith of the U.S. Department of Interior, on the fruitfulness of the just-concluded meeting.

Li is a deputy director general of foreign affairs of China's Ministry of Forestry, and Smith is a deputy director of the Fish and Wildlife Service under the Department of Interior.

They signed the annex to the conservation protocol on behalf of the Chinese ministry and the U.S. federal department, which serve as coordinative agencies for implementing the document.

The protocol, first endorsed by the two governments in November 1986, is one of the 29 Sino-U.S. documents on science and technology cooperation now in practice.

Northeast Asia

DPRK Sends Protest Letter; PRC Responds

HK0403134593 Hong Kong CHING PAO in Chinese
No 3, 5 Mar 93 p 51

[Article by Meng Lin (1322 3829): "China's Policy Stance on North and South Korea"]

[Text] North Korea reportedly presented a memorandum of protest to China last year over its establishment of diplomatic ties with South Korea. The protest threatened to terminate the "Sino-Korean Friendship and Cooperation Mutual Aid Treaty," withdraw its ambassador to China, and temporarily suspend bilateral tourism, sports, and cultural exchanges. In early December, North Korea went even further in trying to liquidate the 25 billion yuan of debts to China.

Why Did North Korea Blame Deng, Yang, and Jiang?

There are recent reports saying that China has invited North Korea's Kim Il-song to visit and that relations between North Korea and China have deteriorated because of the diplomatic ties between South Korea and China. What is the current situation of China's ties with North and South Korea?

According to a well-informed source, following the 14th party congress last year, Kim Il-song proposed a visit to China. He also invited Jiang Zemin, Li Peng, and Liu Huaqing to visit North Korea. In reply, Beijing said that Jiang Zemin, Li Peng, and Liu Huaqing were too busy to pay a visit at the moment, but that China was willing to receive visits by Korean Government and party leaders to China. Beijing transmitted this intention to North Korea around early November of last year.

It has been reported that North Korea last year presented a memorandum of protest to China over the establishment of its diplomatic ties with South Korea. The protest threatened to terminate the Sino-Korean Friendship and

Cooperation Mutual Aid Treaty, withdraw its ambassador to China, and temporarily suspend bilateral tourist, sports, and cultural exchanges. In early December 1992, North Korea proposed liquidating the 25 billion yuan debt to China (in fact, North Korea had suspended the repayment since 1991). Since last autumn there have been remarks among senior North Korean Government, party, and military officials, criticizing the line, principles, and policies of the CPC; attacking Deng Xiaoping, Yang Shangkun, and Jiang Zemin by name; and labelling the CPC a new traitor of the international communist movement that totally betrayed Marxism-Leninism.

In a letter to North Korea, the Chinese Foreign Ministry clearly stated: First, there are diplomatic agreements on money lending, which should be repaid on time. Second, if the Korean side has difficulties, China will not force or press for repayment. The two sides can resolve the problem through consultations. Third, economic aid in the future will be determined in light of China's economic circumstances.

Reportedly, North Korea's Kim Il-song personally wrote twice to Chinese leaders last June and October requesting the supply of military equipment to prevent a "sudden attack" from South Korea; asking for energy, machinery, and agricultural aid; and calling for the signing of a new Sino-Korean political, economic, and military agreement. To this end, Kim wrote to Chinese leaders again early this year. Senior CPC statesman Deng Xiaoping personally made the following remarks: Tell Kim Il-song that China will not sign a new agreement or provide any new sophisticated military equipment. Economic aid will also be limited.

Beijing's Diplomatic Policy Toward North Korea.

While discussing China's diplomatic principles and policies toward North and South Korea at a Foreign Ministry meeting in early February of this year, Chinese Premier Li Peng made the following general points:

First, China will not sign a new political and military agreement with North Korea or any closed-door political and military agreement or commitment.

Second, China is not in favor of aggravating the tense ties between North and South Korea because of their ideological differences.

Third, China is in favor of North and South Korea becoming a nuclear-free zone, not developing nuclear weapons, and not allowing foreign nuclear stockpiles on the Korean peninsula.

Fourth, China supports dialogue and peace talks between North and South Korea, which will eventually lead to the reunification of the two sides.

Fifth, militarily, China will not provide North Korea with sophisticated military equipment and is also opposed to any foreign supply of advanced military equipment to South Korea.

Sixth, the establishment of diplomatic relations and development of friendly ties between China and South Korea accord with peace in Asia. This is also one of China's basic foreign policies.

Seventh, China holds that South Korea does not possess the conditions and is not likely to launch a war with North Korea at the current stage.

Eighth, China cherishes and is willing to maintain long-term relations of friendship with the DPRK. China hopes that North Korea will correct and cease its recent speeches and actions which are harmful and damaging to the two governments and the peoples, and hates to see the deterioration of Sino-Korean ties.

Southeast Asia & Pacific

Delegate Signs Notes of Border Meeting in Burma

OW0503111393 Beijing XINHUA in English 1100
GMT 5 Mar 93

[Text] Yangon [Rangoon], March 5 (XINHUA)—A notes of the second session of the China-Myanmar [Burma] Joint Boundary Inspection Committee for the second inspection was signed here today.

The notes was signed by Xu Wenyi, chief representative of the Chinese delegation and U Tin Myint, chief representative of the Myanmar delegation.

The session made special arrangements for the joint ground inspection which will be carried out from July this year to January, 1994.

According to the notes, the third session of the joint committee will be held in China in late March next year.

The second session of the China-Myanmar Joint Boundary Inspection Committee for the second inspection was held here from March 1 to 5 in an atmosphere of friendship and co-operation.

During the session, Myanmar Deputy Foreign Minister U Nyunt Swe met with the Chinese delegation.

The delegation led by Xu Wenyi left the country this afternoon for home.

Thai Foreign Minister Concludes Visit in Kunming

BK0503030393 Bangkok BANGKOK POST in English
5 Mar 93 p 8

[Text] Kunming, China—Foreign Minister Prasong Sun-siri maintains that improved communications will facilitate the control rather than the spread of crime in the Upper Mekong Basin. Speaking to reporters late

Wednesday [3 March] night, Sqn Ldr [Squadron Leader] Prasong claimed that drug suppression is hard in remote areas because of difficult access. Better communications will facilitate the prevention and control of crime, saving time and human resources, he said.

Fears have been raised that improved communications in the area where the borders of Thailand, China, Burma and Laos meet would lead to more drug trafficking and white slavery.

The region of the upper Mekong River includes the so-called Golden Triangle, the world's main producer of opium and heroin. An increasing number of women from southern China's Yunnan Province as well as from Burma and Laos are said to have been lured into prostitution in Thailand in the past two years.

While Sqn Ldr Prasong said he recognises the need to crack down on prostitution, he stressed that the racket is not confined to Thailand, as women trapped into the trade have also surfaced in Malaysia. He received assurances of support from local and provincial authorities in southern China for improving communications by water, land and air.

In talks with Chinese Foreign Minister Qian Qichen in Beijing on Sunday, Sqn Ldr Prasong offered Thailand as a venue for a meeting of experts from all four countries on the subject. He quoted Mr Qian Qichen as saying that China is keen on expanding cooperation in the Upper Mekong.

While hailing Thailand's policy to achieve this goal he denied suggestions that Thailand was spearheading the movement. All sides agree on the need to improve communications, he said.

Thailand has urged opening the upper Mekong to navigation and the establishment of a road link by the four countries. The road link would require a great deal of technical surveys and financing, Sqn Ldr Prasong said. Cooperation could begin with river communication. Opening the upper Mekong to navigation would require relatively little work, he said. Clearing the river bed of obstacles and setting up resting places and petrol stations would be necessary, he noted.

Exploring the possibilities for cooperation in the upper Mekong was one of the two main reasons for the foreign minister's visit to China, which ended yesterday.

Cambodia was also discussed by the minister and Mr Qian Qichen. Refusing to go into details, Sqn Ldr Prasong said both were concerned about the period after the Cambodian elections. The transfer of power to a new government would be a problem if neither the Supreme National Council (SNC) of Cambodia nor the United Nations Transitional Authority in Cambodia (UNTAC) is able to take charge, he said.

"If we don't know who holds real power...who will transfer power (to the new government) after the election?" he asked. The new government might ...joy

legitimacy as the holder of a popular mandate but this does not mean that it will be able to assert power, he added.

[The 5 March BANGKOK POST in English on page 3 carries the following item adding to the above: "China's Foreign Minister Qian Qichen will make a two-day official visit to Thailand from April 19-20, Foreign Minister Prasong Sunsiri said on his return from a five-day visit to China last night. Mr Qian will pay the official visit before joining the annual ESCAP [Economic and Social Commission for Asia and the Pacific] meeting in Bangkok. Foreign Ministry sources said this will be the Chinese foreign minister's first official visit to Thailand."]

Comments on PRC Visit

OW0403192193 Beijing XINHUA in English 1648
GMT 4 Mar 93

[Text] Bangkok, March 4 (XINHUA)—Thai Foreign Minister Prasong Sunsiri arrived here this evening from Kunming after winding up his six-day official visit to China.

Talking to reporters at Bangkok International Airport, Prasong said his China tour was very successful.

Prasong said that all Chinese leaders had assured him that the Sino-Thai friendly relations will be continued no matter what changes might take place in both countries and the world.

He said both sides have the same view that a lasting peace might be returned to Cambodia and all Cambodian parties must cooperate closely to implement the Paris peace agreement in order to have an early realization of Cambodian national reconciliation.

The Cambodian issue could be regarded as a regional one and both China and Thailand believe that regional stability could be affected if there is no peace in Cambodia.

He said he also discussed with Chinese side about the forthcoming visit to China by Thai Prime Minister Chuan Likphai and the visit could be conducted during the first half of this year.

He also disclosed that Qian Qichen will visit Thailand officially next month.

This was Prasong's first official visit to China since assuming the office of foreign minister last October.

Ni Zhifu Visits Vietnamese Assembly Chairman

OW0403143593 Beijing XINHUA Domestic Service in Chinese 1255 GMT 24 Feb 93

[By reporter Zhang Jiaxiang (1728 0502 4382)]

[Excerpts] Hanoi, 24 Feb (XINHUA)—Nong Duc Manh, chairman of the Vietnamese National Assembly, today met with a senior delegation of Chinese trade unions here, which was led by Ni Zhifu, vice chairman of the Standing Committee of China's National People's

Congress and president of the All-China Federation of Trade Unions. [passages omitted] The Chinese delegation will leave Hanoi for a visit to Ho Chi Minh City on 25 February, and will conclude its visit to Vietnam and depart Ho Chi Minh City for home on 27 February.

Friendship Delegation Visits Ho Chi Minh City

OW0403140993 Beijing XINHUA in English 1348
GMT 4 Mar 93

[Text] Hanoi, March 4 (XINHUA)—A Chinese friendship association delegation left here by plane today for Ho Chi Minh City.

The delegation, led by association President Fu Hao, arrived in Hanoi at the invitation of the Vietnam-China Friendship Association on February 28.

During its stay in the northern part of the country, the Chinese friendship delegation was received by Vietnamese Vice-President Nguyen Thi Binh, Phung Van Tuu, vice-chairman of the National Assembly and other Vietnamese leaders.

Fu and his colleagues are expected to return to China from Ho Chi Minh City on Saturday [6 March].

Vietnamese Leaders Meet Outgoing Ambassador

OW0403142193 Beijing XINHUA Domestic Service in Chinese 0031 GMT 26 Feb 93

[Excerpt] Hanoi, 25 Feb (XINHUA)—Do Muoi, general secretary of the Communist Party of Vietnam, and Vo Van Kiet, prime minister of the Vietnamese Government, this afternoon met separately with Zhang Dewei, the outgoing Chinese ambassador to Vietnam.

Do Muoi said: Vietnam and China hope to maintain lasting peace to develop their own economic construction. While China hopes to achieve its goals of modernization, Vietnam hopes to establish a socialist and civilized society through struggle, and to develop multidirectional and diversified foreign relations on the basis of equality and mutual benefit. Do Muoi hoped that Vietnamese-Chinese friendly cooperative relations would continue to develop, and welcomed investments by Chinese companies and enterprises in Vietnam.

Vo Van Kiet said: Vietnamese-Chinese friendly cooperative relations are developing with good momentum. This kind of relationship is very favorable to the two countries and the region. He hoped that the two sides will spare no effort in promoting continued development of relations as well as in continuing to expand exchanges and cooperation between the two countries. [passage omitted]

Australian Airline To Fly to Guangzhou, Beijing

OW0503081893 Beijing XINHUA in English 0347
GMT 5 Mar 93

[Text] Canberra, March 5 (XINHUA)—A new Australian airline will begin direct flights to China within six months.

The Australia Air has been given regulatory approval to operate the service to China by the International Air Services Commission. Collin Hendrick, chairman of the company, said at a press conference here this morning.

The privately-owned Australia Air, set up late last year, will be the sole Australian designated carrier to fly to China.

It will start a weekly service in the route between Sydney, Melbourne, Guangzhou and Beijing by a 300-seat DC-10 aircraft later this year, Hendrick said.

At present, Air China, the largest international airline of the People's Republic of China, operates a weekly service in the same route.

Australia's biggest international carrier, the Qantas, used to operate direct flights to China, which, however, have been cancelled since 1987.

Hendrick said that more than 86,600 Australians flew to China last year and he expects a profitable prospect for his airline.

China today is the fastest growing economy in the world and it will become Australia's most important source for tourism, Hendrick said.

"For years China has been recognized as potentially the largest consumer market in the world and today we are seeing this potential turning into reality," he said.

Sub-Saharan Africa

Li Lanqing Discusses Aid Policy With Cameroonian

OW0503022493 Beijing XINHUA Domestic Service in Chinese 0933 GMT 27 Feb 93

[By GUOJI SHANGBAO reporter He Weiwen (0149 0251 2429)]

[Text] Beijing, 27 Feb (XINHUA)—Li Lanqing, member of the Political Bureau of the CPC Central Committee and minister of foreign economic relations and trade, recently outlined China's new policy regarding aid to foreign countries. He said: China will concentrate its aid to foreign countries on productive projects that can utilize developing countries' resources to serve local needs. In this way, we can integrate Chinese economic assistance and equipment with projects to develop local

production, and we can contribute to developing indigenous industries through long-term cooperation in technology and management and the effective operation of projects after they begin operations.

The minister further explained the merits of the policy:

First, China's assistance loans can be used as investments for countries to encourage Chinese enterprises to increase investments or set up joint ventures, thereby further extending the overall investment scale.

Second, on the basis of identical interests, the two sides can conduct long-term cooperation in technology.

Third, certain project products can be exported to peripheral third countries, or be bought back by China if necessary.

The minister made the above remarks at the third meeting of the Sino-Cameroon Joint Commission for Economic and Technological Cooperation and Trade, which he and Cameroon minister of external relations Francis Nkwain cochaired.

Red Cross Society Sends Aid to Tanzania

OW0303140393 Beijing XINHUA in English 1331
GMT 3 Mar 93

[Text] Beijing, March 3 (XINHUA)—Medicine valued at 300,000 yuan (about 60,000 U.S. dollars), provided by the Red Cross Society of China (RCSC), was transported by air to Dar es Salaam, capital of Tanzania, today, according to sources from RCSC.

When Tanzania was hit by severe floods last month, the RCSC decided to provide the Red Cross Society of Tanzania with humanitarian aid.

Ambassador, Nigerian Leader Discuss Relations

OW0303121493 Beijing XINHUA in English 1140
GMT 3 Mar 93

[Text] Lagos, March 3 (XINHUA)—Chairman of the Nigerian Transitional Council Ernest Shonekan said his country hopes to strengthen relations with China, which he believes will help reinvigorate the Nigerian economy.

The Nigerian head of government expressed the hope while meeting Chinese Ambassador to Nigeria Hu Lipeng in the new capital Abuja on Tuesday [2 March].

Shonekan said China has in recent years devoted itself to economic development and won appreciation from the rest of the world.

He said Nigeria can learn from the experience China has gained in its economic reform and development so as to reinvigorate the Nigerian economy.

He said China's textile industry and agriculture enjoy a leading place in the world and it is beneficial to the peoples of the two countries to strengthen cooperation in these fields.

Great Wall Holding Group Opens in South Africa

OW0503082193 Beijing XINHUA in English 2225 GMT 4 Mar 93

[Text] Johannesburg, March 4 (XINHUA)—The Great Wall Holding Group from the People's Republic of China officially opened offices at a colorful ceremony here today.

A delegation from the People's Republic of China led by Liu Shanzai, assistant minister of foreign economic relations and trade, attended the ceremony.

Mrs. Sheila Camerer, deputy minister of justice of the Republic of South Africa, said on the occasion that the opening of the offices of the Great Wall Holding Group in Johannesburg "can be seen as another landmark in strengthening the relations between the two countries." [paragraph as received]

She added, "It is also an important step which will no doubt serve to further enhance trade between the Republic of South Africa and the People's Republic of China in the years ahead."

Liu Shanzai said at the ceremony China and South Africa have great potentials to enhance their trade relations through direct trade links.

Mrs. Sheila Camerer and Liu Shanzai cut the ribbon at the opening ceremony.

Visiting artists of the Chinese Liaoning Acrobatic Troupe performed the Lion Dance at the ceremony, which was attended by South African businessmen, bankers and government officials.

The Great Wall Holding Group (China) is the first large-scale non-governmental trading organization of the People's Republic of China in South Africa. It is mainly financed by the 12 largest state-owned foreign trade and labor service engineering contracting corporations directly under the Ministry of Foreign Economic Relations and Trade.

Latin America & Caribbean

Qian Qichen Meets President Salinas in Mexico

OW0503085193 Beijing XINHUA Domestic Service in Chinese 0632 GMT 4 Mar 93

[By XINHUA reporter Fu Xiancheng (1381 7359 2052) and RENMIN RIBAO reporter Zhang Jingjiang (1728 6855 3068)]

[Text] Mexico City, 3 Mar (XINHUA)—Mexican President Salinas met with Qian Qichen, Chinese state

councillor and foreign minister, at the Presidential House this morning. Both sides held cordial and friendly talks.

Salinas first reviewed the visit to Mexico by President Yang Shangkun in 1990. He said: Mexico and China have much in common. China has made astonishing progress in its economic construction, and is playing an increasingly important role in international affairs. Mexico attaches importance to its relations with China, and the Mexican people have friendly feelings for the Chinese people. We are willing to strengthen further the friendly and cooperative relations between the two countries. Salinas also indicated that he is prepared to visit China this year at the invitation of President Yang.

Qian Qichen first conveyed President Yang's verbal message to President Salinas, and said the Chinese Government and people are enthusiastically looking forward to President Salinas' visit to China. Qian Qichen said: In recent years, both China and Mexico have made remarkable achievements in economic reforms; the conditions for strengthening bilateral trade and cooperation have become increasingly mature; we believe the two countries will make further progress in mutual cooperation in various fields.

Qian Qichen congratulated Mexico on its signing the North America Free Trade Agreement with the United States and Canada. He believed this will create even more favorable conditions for Mexico's economic development. He said China supports Mexico in joining the Asia-Pacific Economic Cooperation Conference, and hoped this matter will be resolved soon. Qian Qichen expressed appreciation for Mexico's support for China's efforts to restore its status as a signatory state to the General Agreement on Tariffs and Trade.

Discusses Reform, Opening

OW0503052093 Beijing XINHUA Domestic Service in Chinese 0837 GMT 4 Mar 93

[By reporter Fu Xiancheng (1381 7359 2052)]

[Text] Mexico City, 3 Mar (XINHUA)—On 3 March, Qian Qichen, Chinese state councillor and minister of foreign affairs, delivered a speech at the conference room of the Mexican Ministry of Foreign Relations, entitled: "China's Reform and Opening Up and Cooperation Between China and Latin America." He explained China's policy of reform and opening up to the outside world and the current situation in China and pointed out broad prospects for friendly cooperation between China and Latin American countries.

Qian Qichen pointed out: It has been 14 years since China started to implement the policy of reform and opening up initiated by Deng Xiaoping. The 14 years of reform and opening up have brought great historical changes to the face of China.

Qian Qichen pointed out: "The strategic goal of our reform is to establish a socialist market economic system. To suit the needs of the economic system, we have been carrying out reform of the political structure to develop and improve socialist democracy and the legal system and to ensure success in economic construction, reform, and opening up.

Qian Qichen said: "At present, all countries in the world have close economic relations with other countries, and not a single country can develop by sealing itself off. We have made opening up to the outside world a basic national policy." He emphatically pointed out: "China is widely opening its door and absorbing good points from all countries. We are opening up to developing countries as well as to developed countries."

Qian Qichen said: "China's economy developed rapidly in the 1980's." "After entering the 1990's, especially since 1992, our country's reform, opening up, and building of modernization have entered a new period of development."

Qian Qichen said: At present, there is political and social stability in our country, and our economic development is being accelerated.

He continued: "China is creating conditions for restoring its position as a GATT signatory state. This means foreign countries will have greater opportunities to cooperate with China."

Touching on the international situation, Qian Qichen pointed out: The world is now in a historical period of great change. The bipolar pattern has ended, and the world is developing toward a multipolar pattern. It is possible to achieve a relatively long period of peace in the international environment and avoid a new world war; however, the world is still not at peace.

Qian Qichen continued: In the face of drastic changes in the international situation, China has always adhered to her independent and peaceful foreign policy. Regardless of changes in the world, China has always considered the development of the economy as the central task.

Commenting on relations between China and Latin American countries, Qian Qichen said: At present, China has maintained diplomatic relations with 17 Latin American countries and has economic and trade relations with almost all Latin American countries and regions. China has close contacts with leaders of Latin American countries at the highest levels. Those contacts have enhanced mutual understanding and friendship and are very beneficial to promoting friendship and cooperation between China and Latin American countries.

Touching on economic and trade relations between China and Latin American countries, Qian Qichen pointed out: Economic and trade relations between China and Latin American countries are constantly developing. In 1992, the total amount of trade between China and Latin American countries reached \$3 billion. China also promoted effective and various kinds of

economic and technological cooperation and cultural and scientific-technological exchanges with Latin American countries. China and Latin American countries can develop their mutually beneficial relations and each can supply what the other needs and each can learn from the other's strong points to offset their weaknesses. In the wake of constant development of China's reform and opening up and the constant economic development of various Latin American countries, the prospects for future cooperation between China and Latin American countries will be even broader.

Commenting on relations between China and Mexico, Qian Qichen pointed out: Mexico is a big country that can exert great influence in Latin America. Mexico is also one of the earliest countries to establish contacts with China. Since China and Mexico established diplomatic relations in 1972, our two countries have been steadily developing friendship and cooperation in the political, economic, trade, cultural, educational, and science and technology fields. Great potential and broad prospects exist in promoting cooperation between China, which is carrying out reform and opening up to the outside world, and Mexico, whose economy is in the process of taking off.

Qian Qichen said: The policy of opening up adopted by the governments of China and Mexico will certainly push economic and trade relations and friendship and cooperation between China and Mexico to a new period.

Ends Mexico Visit

OW0503043793 Beijing XINHUA in English 0343
GMT 5 Mar 93

[Text] Mexico City, March 4 (XINHUA)—Chinese Foreign Minister Qian Qichen wound up his four-day visit to Mexico and left later today for Rio de Janeiro to continue his five-nation Latin American tour.

Before leaving Mexico City, Qian told reporters his visit was fruitful and successful.

Qian said Mexican President Carlos Salinas would visit China this year at the invitation of Chinese President Yang Shangkun.

He also said that trade between the two countries had developed very quickly since Sino-Mexican diplomatic relations were established.

The volume of bilateral trade in 1992 amounted to about 0.3 billion U.S. dollars and greater potentiality of trading development between the two countries is expected.

During his stay here, the Chinese foreign minister met with President Salinas and other state leaders on bilateral relations and issues of mutual concerns.

Mexico was the first leg of his trip to the Latin America which will also take him to Brazil, Uruguay, Argentina and Chile.

Chen Xitong Meets Mexican Television Delegation

OW0503095993 Beijing XINHUA Domestic Service in Chinese 1212 GMT 4 Mar 93

[By reporter Li Hepu (2621 6320 2528)]

[Text] Beijing, 4 Mar (XINHUA)—During his meeting today with a delegation from the Mexican Television Corporation led by its Vice President (Aidi Paloso), Chen Xitong, chairman of the Beijing 2000 Olympic Games Bid Committee, said that Beijing's bid to host the 2000 Olympic Games will induce China to open up even wider.

In November 1992, Chen Xitong led a delegation of the Beijing 2000 Olympic Games Bid Committee to Mexico to attend the congress of the associations of the Olympic committees from various countries and the Executive Committee meeting of the International Olympic Committee. He said: Mexico is a beautiful country, and the Mexican people are hospitable. China and Beijing have opened the need to understand the world, and the world also needs to understand China and Beijing. Television communication plays an important role in contacts

between the peoples of various nations. We welcome an objective and fair introduction of Beijing to the world through the medium of television; impartial reporting tends to promote friendly exchanges between peoples of various nations and to bring benefits to mankind.

The Mexican Television Corporation is a relatively large television company in the world. Its programs, besides being aired inside the country, also have many viewers in the United States, Latin America, Europe, and Africa, and its teleplays are especially popular throughout the world. (Aidi Paloso) said: The Mexican people harbor friendly feelings for the Chinese people, and hope to learn more of China. We are prepared to give more coverage to fairly introduce China and its capital, Beijing, to our viewers. He said: We are very concerned about Beijing's bid to host the 2000 Olympic Games, and wish it success.

Zhang Baifa and Wan Siquan, respectively vice chairman and secretary general of the Beijing Olympic Committee Standing Committee, were also present at the meeting.

Political & Social

CPC Central Committee 2d Plenum Set for 5 Mar
HK0503014993 Hong Kong WEN WEI PO in Chinese
5 Mar 93 p 2

[By WEN WEI PO news team: "CPC Central Committee's Second Plenary Session Opens Today to Discuss and Revise Government Work Report"]

[Text] Beijing, 4 Mar (WEN WEI PO)—According to authoritative sources here, the Second Plenary Session of the 14th CPC Central Committee will be held tomorrow [5 March] in Beijing.

The authoritative sources said that the second plenum, which is being held on the eve of the First Session of the Eighth National People's Congress [NPC], will mainly discuss and revise the Government Work Report for delivery to the NPC for deliberation and approval, discuss and revise the State Council's institutional reform program for submission to the NPC for deliberation and approval, and discuss personnel arrangements for new NPC and government leading bodies, including the appointment of ministers after the institutional reforms.

According to authoritative sources, the Standing Committee of the Political Bureau of the CPC Central Committee has expressed its opinion on the above issues for discussion by the Central Committee.

To Discuss Work Report

HK0503044693 Hong Kong WEN WEI PO in Chinese
5 Mar 93 p 2

["Special Article" by Chang Ching-lien (1728 0079 5114): "Second Plenary Session To Discuss Government Work Report"]

[Text] The upcoming session of the Eighth National People's Congress [NPC], which has long been in preparation, will still focus first on the Government Work Report, which will be delivered on the first day. After several rounds of large-scale opinion solicitation and repeated revisions, a draft of the report has been officially submitted to the Second Plenary Session of the 14th CPC Central Committee for consideration.

In Keeping With Deng's Talks in Shanghai

According to authoritative sources, the revised draft stresses two points, that is, grasping the opportunity and quickening development, and paying attention to economic efficiency and preventing an overheated economy. This is in keeping with Deng Xiaoping's talks in Shanghai during the Spring Festival.

Last year, the economic growth rate in Mainland China exceeded 12 percent. It was labeled as the best year for the economic situation since the late eighties. However, economic efficiency and financial revenues did not

increase at the same rate, the industrial structure is not logical enough, energy and raw materials remain in short supply, transportation continues to be a bottleneck, and finished products have been stockpiled to a serious degree. In various localities there has been "investment fever," "development zone fever," and "stock fever." This could cause deviations to the process of reform and opening.

While inspecting rural areas, Jiang Zemin found that many localities were keen to set up development zones, start real estate projects, and build offices, guest houses, hotels, and restaurants. This gave rise to a trend of using large stretches of farmland sown with grain and vegetables to build houses. At the same time, large amounts of funds for agricultural production were also exhausted. Now is the time to take resolute and comprehensive measures to seriously solve the problems of the countryside. He reiterated Deng Xiaoping's instruction: If there is any problem in the economy in the 1990's, it is very likely that the problem will appear in agriculture. If trouble appears in agriculture, things may not recover for many years, and economic and social development as a whole may be seriously affected.

Quickening Work To Foster the Market System

To quicken the construction of a socialist market economy was a major policy decision of the 14th CPC National Congress. This will also be a key point of the Government Work Report to the upcoming NPC session. It is said that the market in mainland China is still being nurtured and is still growing. In future, the government will stress the following four aspects: quickening the process of fostering a market system; developing a commodity market first and promoting the formation of nationwide markets for capital goods, finance, technology, and labor; quickening the pace of the price reform, proceeding from decontrolling grain prices and striving to form a market-determined pricing mechanism in five years; establishing a system of market management laws and regulations and a law enforcement and supervision system in keeping with China's national conditions; guaranteeing the market's unity, openness, and fairness; strengthening the scientific and anticipatory nature of the state's overall economic regulation and control, including the establishment of an information system, forecasts for market supply and demand, and a system for monitoring market operations.

Effecting "Three Changes" and "Three Rapidities"

To complete the gigantic system engineering project of establishing a market economy, China will effect "three changes" and "three rapidities" this year.

The "three changes" refers to changing old ideas and habits in guiding economic work, changing the operational mechanisms of state-owned enterprises, and changing governmental functions. This will require leading cadres at various levels to further emancipate their minds and to really shift their thinking from the

planned economy and product economy to the market economy. Enterprises and peasants should be guided to take the initiative in seeking the market and changing their old habit of seeking government aid. An environment for fair competition should be created for all enterprises, producers, and dealers in order to promote competition. The backward will not be protected. Thus, thinking and management will be totally adapted to the market.

The "three rapidities" refers to rapidity in building up a market system, rapidity in establishing a social insurance system, and rapidity in building a community-based service system. It is necessary to go all out to develop a commodity market and to rapidly establish a social insurance coordination system which covers a wide scope of society and enjoys a high degree of socialization. A comprehensive social service network which omnidirectional and systematic should also be established to further invigorate production, circulation, and market operations.

The upcoming NPC session and meeting the National Committee of the Chinese People's Political Consultative Conference will deal with personnel appointments in a wider scope. New "breakthroughs" will be made in lowering the age of the holders of some key offices. The core CPC leadership requires that officials obey the needs of overall interests and the promotions and demotions, thus maintaining unity.

President Yang Shangkun Inspects Guangdong

HK0503102593 Guangzhou Guangdong People's Radio Network in Mandarin 0400 GMT 27 Feb 93

[Text] From 24 January to 27 February, State President Yang Shangkun had a rest and inspected work in Guangdong. In his inspection activities, he was accompanied by Xie Fei, CPC Central Political Bureau member and provincial CPC secretary; Guo Rongchang, deputy provincial CPC secretary; (Huang Huahua), member of the provincial CPC Committee Standing Committee and secretary general of the provincial CPC Committee; and leading cadres of some cities. President Yang was satisfied with Guangdong's achievements scored in upholding reform and opening up and in implementing the 14th CPC Congress spirit. He also said in encouragement: I hope that Guangdong will have a still better situation.

During his stay in Guangdong, President Yang inspected Zhuhai, Nanhai, Panyu, Zhongshan, and Foshan cities. In Zhuhai, President Yang witnessed the rapid economic development of Zhuhai over the past year since Comrade Xiaoping inspected the south last year. He was especially gratified with the urban construction which brought about changes day by day. President Yang also attached great importance to the development of high science and technology and the construction of spiritual civilization. He inspected Zhuhai's Juren Group Company and Nanfang Aviation Training Center, and visited

Zhuhai Sport, Cultural, Scientific and Technological, and Medical Center and the Beiling Peasant Cultural Center.

During his stay in Guangdong, President Yang also met separately with some Hong Kong, Macao, and overseas celebrities.

Jailed Dissident Applies for Doctoral Studies

HK0503034693 Hong Kong THE STANDARD in English 5 Mar 93 p 11

[By S.L. Law]

[Text] Chen Ziming, the Chinese dissident who is serving a 13-year jail sentence for allegedly instigating the 1989 pro-democracy movement, has applied to do his doctorate degree in prison, according to sources close to his family.

Sources said Chen's wife, Wang Zhihong, had secured support for the application, lodged with the Beijing No. 2 Prison four months ago, from the State Education Commission at a meeting on Tuesday.

Chen, who was editor of the defunct ECONOMIC WEEKLY which was banned after the 4 June crackdown, planned to specialise in China's modern history.

Professor Da Yi, librarian of the People's University in Beijing and once the head of the university's history faculty, had promised to be Chen's supervisor.

The scholar would have to give tuition to Chen in the Number 2 Prison, which was said to have planned to use a separate room for the tuition.

The support of the state commission had changed the attitude of the prison which had not been very cooperative earlier.

"Though having approved Mr Chen's application in principle about a month ago, the prison had attached two conditions that would make his studies very difficult," a source said.

"Firstly, Mr Chen would not be allowed to leave the prison to sit for lectures. Secondly, no supervisor would be allowed to enter the prison to give him lessons. These would have meant that a correspondence course would be the only alternative."

However, the source said prison authorities withdrew the second condition after the State Education Commission extended support to Chen.

Shanghai Agents Report Thwarting Bombing Attempt

HK0503080693 Hong Kong AFP in English 0756 GMT 5 March 93

[Text] Beijing, March 5 (AFP)—Shanghai intelligence agents thwarted a plot by "hostile forces" to bomb key

construction projects in the city sometime between 1984 and 1992, the official Wen Hui Daily [WEN HUI BAO] disclosed Friday.

Besides the failed sabotage bid, other "important cases" of anti-government activity were also "smashed," Wang Yunzhang, the city's State Security Bureau chief, told the newspaper.

Agents prevented attempts to "instigate state personnel to rebel, set up secret organizations, gather intelligence, steal state secrets, stir up turmoil (and) plot to blow up key construction projects," Wang was quoted as saying.

Wang said that foreign intelligence agencies and "hostile forces" at home and abroad were to blame, adding that the incidents occurred after his bureau was set up nine years ago.

No specifics were provided.

Speaking on China's recent promulgation of its first national security law, the bureau director claimed foreign intelligence agencies had stepped up their activities since the reform and opening policy was launched in 1978.

The scope of activities aimed at damaging China's national security and ways of going about it were "continuously expanding," he said.

Security officials said recently that the scope of state secrets in China would be reduced, but protection of material that remained classified would be intensified.

Journal Discusses Protecting State Secrets

HK0503025293 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 8, 22 Feb 93 pp 6-8

[Article by Fang Jinyu (2455 6651 3768): "Latest Report From China's Secrets Protection Front"]

[Text] As the 14th CPC Congress was about to open in Beijing on 5 October 1992, a Hong Kong newspaper published the error-free full text of a "top secret" congress document.

The State Security Department took immediate action and ascertained the details of the case: The classified document was stolen by a 30-year-old reporter called W from a central level press agency in Beijing. After getting a copy of the document, he asked his wife to hand it over to the Hong Kong newspaper. It was not the first time W sold "classified information" but it is the last time he will receive a reward for information betraying his personal and national dignity. He was arrested by the state security organs.

The latest report from China's secret protection front indicates that there are cases of divulging and stealing secrets every year, every month, and even every week in China.

A Shocking Report

A Xinjiang County magistrate was on his way back after attending the regional party congress in June 1992. His car, which was parked at a guesthouse, had its window broken by a thief and the documents were stolen. The documents included 14 confidential documents (Chinese classified documents are divided into three grades: "top secret," "secret," and "confidential"). The briefcase was later thrown away by the thief and the documents recovered; the confidential documents had been out of security control for six hours.

According to regulations, the magistrate should have carried the documents with him.

Influenced by the wave of "enlarged editions" and "detailed descriptions" in press circles, a provincial newspaper published a "Description of Armed Police" in its weekend supplement one day in 1992. The situation regarding the province's state strategic reserves and the distribution of police forces were made "public."

According to regulations, reporters are not allowed to know such classified information and, even if they are aware of it, they should not make it public.

The following incidents were more serious:

—In the eighties, a regimental officer offered details of the training at and photographs from China's submarine base and quick response troops to the enemy agents.

—In the eighties, a state official, in return for small favors, disclosed details to foreign newsmen of the CPC Central Committee Political Bureau meeting to discuss China's foreign policy.

For this reason, the CPC Central Committee issued a circular on strengthening secret protection work in 1990. In China's capital, Beijing, however, this problem has not yet been resolved in a small number of departments, where secret protection work is still a weak link. In a small number of departments with large numbers of state secrets and arduous tasks in protecting these secrets, there was no one specially assigned to take charge of the work.

Statistics are also alarming: In the third quarter of 1992, departments in all localities reported 48 cases of divulging secrets, of which 42 cases involved the provinces, municipalities, or autonomous regions and six involved central organs. A total of 202 state-level classified documents were divulged, including six top secret, 117 confidential, and 79 secret papers.

Mainland media has many reports about the gratifying achievements in China's reform and opening up. However, the press has rarely carried articles about maintaining state secrecy in recent years.

Why Have Careless People Appeared in Turn

It is quite certain that scientists have never analyzed the number of careless people among every 10,000 people. An investigation into divulging secrets in the third quarter of 1992 shows that the number of secrets which were stolen or lost accounted for 50 percent of the total. Of these, there were four cases where secret documents were lost from bicycles and never recovered.

In September 1992, an official named S in a Beijing bureau returned to his office after a meeting. He put the classified documents he had just received on the back of his bicycle. While crossing the Xizhimen Flyover, he suddenly discovered that the two classified documents were gone. Sweating all over, he turned back to search for the lost material. Through the authorities, he also asked the neighborhoods to help in the search but to no avail.

In May 1992, a relevant Shanghai department issued a circular. Carpenter M, from the Shanghai branch of the Aeronautics Ministry, was responsible for renovating the residence of senior engineer H. Entrusted by H, M was asked to place the overall technical design plan for a meteorological satellite in the institute's file.

H cautioned M to be careful and M put the important paper in his work bag. Unfortunately, M sat in the connection of an articulated bus. Not long after the bus started, M found that his work bag had disappeared and he immediately asked the bus driver to stop. He searched everywhere and also asked the neighborhood for help but to no avail.

M never thought of the loss. If he had, he would not have accepted the "errand" of delivering the paper. H also did not expect the loss. If he had done so, he would have personally taken a trip, regardless of the busy renovation work at his home.

Perhaps we should further ask a question: Why have careless people appeared in China one after another?

Some people complained that the scope of China's secrets is too large, making it difficult to enforce regulations. Others were critical that China was too lenient in punishing eavesdroppers. If those who have unintentionally divulged secrets are all treated leniently, there will be no end to such careless people.

The aforementioned complaints and criticisms are rather reasonable but those who have totally lost their vigilance cannot be forgiven: In 1992, the wife of a prefecture commissioner, who wanted to renovate the house, sold to a vendor 57 kg of documents, materials, and books which had been accumulated over the years and which had not been properly sorted out. When the vendor was selling the books in the street, an official from the prefecture bureau for maintaining secrecy passed by. The 57 kg of "old books" were recovered and it was found that there were three top secret, 43 confidential, and 13 secret papers (including a code).

Die For Money or Women

Deliberate leakages of secrets are irritable. Overcome by covetousness, those who deliberately divulge secrets believe that others will not know what they have done. They do not know that justice has a long arm.

While studying abroad, two students from a province were encouraged by Taiwan agents to defect. Upon their return home, they received orders to collect information for the Taiwan secret agency and they did so merely for "money." Through their social connections, they reported China's jet manufacture and production of uranium to their "masters." Naturally, the two were eventually chained and thrown into prison.

Since 1987, the relevant Shanghai department has pointed out that a foreign commercial unit in Shanghai has obtained "a great deal" of top secret and confidential information from some noted Shanghai figures in the name of offering "visas" and "financial support."

On 12 June 1992, a 30-year-old man named L went to Beijing to sell the confidential information he stole from his unit to foreigners near a hotel. L confessed at his trial that this was the first time he had tried to sell information. If he had succeeded, he would have done it again for a second and third time.

Money, money, money! To become rich, some people have degenerated into a state of betraying their soul, irrespective of their personal and national dignity. A young person engaged in confidential work got involved in stealing secrets. He stealthily shot 40 rolls of film and tried to sell them in Beijing. While giving an account of his mental state when committing the crime, he said: I took advantage of my position to make money.

The wife of an army officer from a coastal province was working for a local commercial company. A Taiwan agent became familiar with her while working there. When he knew that her husband was away with the Army, he tried to get something from her. In the name of doing business, he first tried to approach her, then tried to win her over by bestowing petty favors, and eventually seduced her into a hotel to have sexual relations. To have total control of the woman, the agent revealed his identity and told her: Your husband is an army officer; if you want to maintain our relationship, you must go to his office to steal confidential documents. It is astonishing that instead of reporting to the authorities, the woman went to her husband's barracks, sneaked into his office, and stole dozens of documents for her lover agent.

Intellectuals Knowingly Violate Law

The report on secrets leakage also indicates a new tendency: Of the offenders who betray their country and sell information on their own initiative, the number of senior and sensible intellectuals has been on the rise in recent years. These offenders usually have the titles of "senior engineers" and have access to the state's economic, scientific, and technological information. Most

of them, who are already advanced in years, have knowingly become offenders against the country and nation in the remaining years of their lives.

On 7 July 1992, a city court was trying a senior intellectual called Z in light of the provisions that the crime of divulging state secrets should not be tried openly.

Z, the accused, was a senior engineer and member of the city CPPCC standing committee. As early as 1988, Z was acquainted with Chao, a man from Hong Kong and chief representative of a foreign commercial firm. Later, lured by the high remuneration offered by Chao to Z and the guarantee granted his son who wanted to study abroad, Z made use of the advantages of his position to gather information on China's chemical and light industries and other secret information for Chao who was residing abroad. Z received \$1,100 for what he did.

T, a female senior engineer in a Civil Aviation Administration Corporation design institute, copied the design blueprint of an airport, cut it into pieces, and mailed them to Taiwan in a number of envelopes.

Following his acquaintance with a Hong Kong businessman, Z, a senior engineer of a Jiangsu import and export company, stealthily mailed state confidential papers abroad for money.

In May 1992, H, a senior intellectual at an Aeronautics Ministry institute, telephoned a foreigner, disclosing confidential information about the designs and experiments of China's military missiles. H was immediately arrested.

Chinese intellectuals have made great contributions to the modernization program. This is an essential point. However, a small number of them have brought disgrace on the whole contingent.

The Tree May Crave Calm, But the Wind Will Not Drop

"The tree may crave calm, but the wind will not drop," a saying abused during the "Great Cultural Revolution," is rather suitable to the struggle between secret stealing and antisequest stealing today. When the wind of foreign information agencies bugging Chinese secrets has not dropped, how can the tree of China's struggle against eavesdropping calm down?

The latest State Secret Protection Bureau report states: Since China introduced reform and opening up, organizations abroad have never slackened their efforts to collect Chinese political and military information. Currently, foreign espionage activities have spread to the political, economic, military, scientific, and technological fields.

The computer systems in the information agencies of some countries have stored the data from a large number of Chinese "stool-pigeons." The management of the "stool-pigeons" is "scientific" and they are divided in light of their professions and political attitudes. Some

are regarded as officials for maintaining normal contacts, some can obtain information, and some can expand their ties through tacit understandings. Data from these people are "cataloged." In the course of, or prior to, a major event in China, if a piece of information is to be verified, they only have to make a few telephone calls or send some invitation cards. For instance, if some Chinese economic information is to be verified, a number of economists or government officials in charge of economic work are invited to dinner. The problem is resolved after a few rounds of toasts.

As in the past, those invited should continue to attend normal receptions and banquets. Contacts and exchanges can strengthen friendship between countries. However, is it not necessary for the Chinese participants to heighten their vigilance while eating?

There is another fact which cannot be neglected: Despite the further development of dialogue, cooperation, and contacts between countries in the future, competition and struggles between them will also become more acute. Because economic strength is the foundation of the competition, the economic, scientific, and technological information has increasingly become the focus of "pursuit" for information agencies worldwide. The 1990 "State Security Strategy" of a Western power pointed out: Economic information is the top priority of our information work. The report appealed: Some 20 countries in the world are now stepping up their collection of our economic information. Our country is suffering an annual loss of billions of dollars from economic secret divulgence. For this reason, they proposed the following principle: Trace the high-tech of others to protect our own high-tech.

An information official from a Southeast Asian country openly said: Our economic development has benefited from the acquisition of economic, scientific, and technological information. The slogan of a large commercial firm in that country is: "Information is life and money."

Can the struggle against secret divulgence "crave calm" on the economic, scientific, and technological front in China, which is situated in such a "big world structure"?

Defensive Line Can Easily Be Broken From Within

There is an ancient saying: "Worms breed only when things have already started to rot."

In our current struggle against secret divulgence, the saying can be translated as: Enemy agents will focus their "offensive" on our internal ranks because the defensive line can easily be broken from within.

Undoubtedly, the rapid development of modern science and technology has indeed equipped the spies with "field glasses" and "informed sources." Nevertheless, spy satellites, reconnaissance aircraft, electronic equipment, and other hardware cannot be used at one's will. As some foreign information experts have said: Although we can obtain a lot of information by means of sophisticated

technology and equipment, we cannot know what they are thinking. We can only rely on the "undercover agents [ding zi 6857 1311]" planted to obtain "high-grade" information.

Take another example. U.S. spy satellites are operating every day in space. When the Iraqi troops invaded Kuwait, however, it seems that the satellites did not "accomplish" their tasks. When the Gulf war broke out, the allied forces continued bombing for more than 30 days. To assess the loss caused by the allied bombing of Iraqi troops, however, they had to rely on the "undercover agents" planted by Israeli secret agencies in Iraq.

Naturally, foreign secret agencies will try by every means to plant their "undercover agents" in China's internal ranks. While visiting his relatives abroad, a provincial department level official revealed his intention to stay abroad. Informed of this, a secret agency immediately contacted him and encouraged him to defect. As a result, the official was dragged into the mire. Upon his return home, he received the order: "Lie low for a long time and wait for the opportune moment to go into action." Later, the "undercover agent" was apprehended by Chinese state security organs. Nonetheless, innumerable facts at home have proved that such "undercover agents" have caused immense damage within our ranks.

Our friendly people probably do not know that foreign secret agencies have changed their methods of seeking, creating, and planting "undercover agents" in China in recent years. Take encouraging defection for example. Rudeness and threats were usually applied to defectors in the past but now the methods have changed and become more ingenious. For example, they try by every means to find out more about the would-be defectors, including their personal experiences, performance, style, hobbies, social relations, families, incomes, and even privacy. By seizing upon a person's weakness, they gradually entrap him, unconsciously, without hurting his feelings, until he cannot extricate himself.

Here is another example. The offices of some large foreign companies in China often send the senior Chinese employees and officers from their economic departments to study abroad. Overtly, they are training professional backbone and management officers for us. In fact, they are training secret agents for their own country.

These countries lavishly entertain the Chinese trainees, offering a small banquet every three days and a big one every five days as well as a lot of petty cash. When they return home, they receive gifts such as color TV sets. Before their departure, the agents do not have much to say. They simply present a visiting card, with the remarks: "Keep in touch."

After a period of time following their return, the agents call back: "Mr XX, I am currently engaged in researching a topic and I need your help on certain information." And so on and so forth.

There is a famous Chinese saying: After eating with and accepting things from others, you always feel you owe them something. To protect state secrets, it is necessary to guard the defensive line within our ranks and in our mind.

What Should Be Done In The Years Ahead?

The struggle between stealing and protecting secrets is one of the oldest forms of war in human history and this will continue to be the case in the years to come.

The situation of struggle facing the Chinese people is extremely grim. Although China's security departments are working day and night and the secret protection departments have taken precautions at all times, a foreign information officer said: The information obtained in the past by sending 10-20 agents can now easily be achieved by making Chinese friends and ideologically disarming them. A foreign newspaper has commented: Beijing, a modern metropolis, has gradually become a paradise for secret agents. An ex-ambassador from a Western country openly said before his departure: It is now the golden era for us to collect information in China.

Is this not enough to warn the naive and friendly Chinese people?

Protecting state secrets is the "sacred" mission entrusted by the Constitution to every Chinese citizen!

Only by mobilizing millions upon millions of people to build up an iron wall can China strive for the initiative and win victory in the struggle and the smokeless war against secret divulgence!

What should we do and what can we do?

First, we should change in light of the enemy moves.

Foreign secret agencies have been active in collecting information in China. Take a Western power for example. In view of the increasing number of Chinese visiting the country to conduct research, continue their studies, and meet relatives, a secret agency put an advertisement in the press, encouraging the Chinese to defect: "We hope to contact personnel who are engaged in security work or who are sent here to collect information; people connected with China's state security information are particularly welcome." It was unprecedented in the history of that country to publish such an advertisement.

"We should change in light of the enemy moves." Is it necessary to improve and transform China's secret protection work and struggle against secret divulgence? We should strictly protect China's state secrets. If the situation of the struggle against secret divulgence and the progress of the secret protection work are further made public, we will be able mobilize more people in heightening their vigilance and joining the important work.

Second, if the enemy remains unchanged, we should follow suit.

Despite the changes in strategy applied by foreign secret agencies, the secret divulgence report indicates that the "bait" they use to "fish" remains more or less the same. Although the methods include "applying for visas," "offering school fees for children to study abroad," and "offering handsome pay for part-time jobs," the essential remains the same: money and women.

"If the enemy remains unchanged, we should follow suit." How should we strengthen education among all the people? This is a pressing current topic.

Third, ensure the key issues.

An ancient Chinese military strategy says: "Hurting one finger is better than hurting 10" and "seize upon one point and ignore the overall picture." This refers to offensive but what about defensive? If we open our hands, we can see 10 fingers. Is it possible to include everything into the scope of secrets and protect them all? What happens if the 10 fingers are folded into two fists?

The State Secret Protection Bureau director clearly pointed out: In the years ahead, the scope of China's "secret protection" will be further reduced.

Fourth, strengthen propaganda.

Propaganda work is an old topic but propaganda work on secret protection seems to be new. China's media usually publicizes: "It is a pleasure to meet friends coming from afar." However, the following is seldom mentioned: Eavesdroppers also come from afar.

China will continue to open its door to the outside world, vigorously expand tourism, and develop economic and technological exchanges with other countries on a large scale. While sounding the alarm, we should not be panic stricken. Nevertheless, we should continue to conduct education in maintaining secrecy as soon as possible among all the Chinese people. If education in maintaining secrecy is only conducted among people who have grown up and have access to state secrets, such "rudimentary education" will be too late.

Maintaining China's state secrets is related to the interests of the whole Chinese nation. It is also the bounden duty of every Chinese citizen.

30-Year Anniversary of Lei Feng Campaign

Editorial Notes 'Immortal Spirit'

HK0503023393 Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 5 Mar 93 pp 1, 3

[Editorial: "The Immortal Lei Feng Spirit"]

[Text] Thirty years ago today, Comrade Mao Zedong issued the call "Learn from Comrade Lei Feng," and a few leading comrades of the party Central Committee also wrote inscriptions about Lei Feng. Thenceforth, a mass movement to learn from Lei Feng spread throughout the country. Over the past 30 years, although

our country has passed along a tortuous road, and tremendous changes have taken place, the mass movement to learn from Lei Feng has never died down. Lei Feng's deeds have inspired generation after generation of young people to vigorously forge ahead. The Lei Feng spirit has inspired and encouraged millions upon millions of people to create moving exploits. In the past, it was rarely seen where the influence of an advanced model figure on the masses was so profound, so intense, and so long.

Fundamentally speaking, that fact that Lei Feng's deeds and spirit can have such a great affecting and influencing power is that it meets the demand of the development of the times and represents the direction of social progress. When Lei Feng died in the line of duty, he was only 22, but his short life gives concentrated expression to the noble ideals of a new people, nurtured with the communist spirit, and also to the noble moral integrity and values of the Chinese people in the new period. These are firm faith in communist ideals, political warmheartedness for the party and the socialist cause, the revolutionary will to work arduously for self-improvement, the moral quality and self-cultivation of showing fraternal unity and taking pleasure in assisting others, the heroic spirit of being ready to take up cudgels for a just cause without caring for one's safety, the attitude of seeking advancement and studying hard, and the genuine spirit of matching words with deeds and enthusiastically carrying out one's duties. Jiang Zemin pointed this out in his 1990 speech, when he received the cadres and fighters of the "Lei Feng Regiment": "The essence of the Lei Feng spirit is serving the people wholeheartedly and working selflessly for the cause of the people." Over the past 30 years, these fine moral characters represented by Lei Feng have been continually on the lips of the people, have been studied, and have been engraved on the hearts of millions upon millions of people, playing an important role in helping people foster correct ideals, faith, and an outlook on life and values; in promoting the emergence of good social practice and the improvement of human relationships; in carrying forward healthy atmosphere; and in developing correct and healthy public opinion.

Our country is seizing a favorable, opportune time to accelerate reform, opening up to the outside world, and modernization; to emancipate and develop the productive forces; and to build socialism with Chinese characteristics. In this historical period, it is of great significance to vigorously carry forward the Lei Feng spirit.

The construction we have been undertaking is aimed at achieving socialist modernization. This fundamental nature determines that we must not only have developed social productive forces and increasingly richer material life, but also have noble social morality, rich and healthy spiritual life, and good social order to bring about all-round social progress. In developing the socialist market economy and handling relationships between interests, we must adhere to the law of value, exchange at equal value, and the principle of material benefits. The

purpose is to emancipate and develop the social productive forces to make our country strong and its people well-off as soon as possible. When we talk of economic benefits, we must not only stress personal and partial economic benefits but also stress the long-term benefits of the entire society. We advocate that the two should be integrated. At the same time, we also advocate that individual and partial interests should be subordinate to long-term interests and those of the whole. When necessary, individual, partial, and temporary interests must be sacrificed in favor of the latter. Only in this way can the legitimate interests of the individual and the part be fundamentally guaranteed; therefore, the spirit of selfless dedication, similar to the Lei Feng spirit of serving the people wholeheartedly, is needed. Inspired by this spirit, millions upon millions of workers are consciously doing pioneering work for the country in arduous places and arduous posts in a bid to benefit the people; officers and men of the People's Liberation Army and the armed police, willing to bear hardships, are guarding the desolate and uninhabited frontiers and islands day and night; so many people, consciously subordinating individual interests to the interest of the whole, are in the forefront supporting reform; in the face of natural calamities and dangers, numerous heroes have come to the fore without caring for their personal safety. Ours is a developing country in the primary stage of socialism. We are carrying out the modernization drive, an undertaking which is very promising but also arduous. To realize this grand ideal, we simply cannot succeed without the spirit of sacrifice and dedication, the spirit of working hard, and the spirit of fighting to the bitter end.

Over the past 30 years, tremendous changes have taken place in our country; therefore, it is unlikely that some specific contents and form of the movement to learn from Lei Feng have not changed. Nevertheless, the fundamental system of our society has not changed; our ideals, faith, and pursuits have not changed; the Lei Feng spirit remains our valuable spiritual wealth inspiring us to advance vigorously. The Lei Feng spirit is one with our goal of bringing up new people who have lofty ideals and moral integrity and who are better educated and observe discipline. Launching an activity to learn from Lei Feng is identical with the requirement for building spiritual civilization. The Lei Feng spirit is immortal. In learning from Lei Feng, it is necessary to learn from his spirit and to study the crux of the matter. Not only should we know what Lei Feng has done for the party, the people, and society, but also we should clearly understand what kind of ideology guided and controlled the conduct of Lei Feng and what kind of ideals, faith, and outlook on life and values Lei Feng possessed. Only by mastering these essentials can we have sustained enthusiasm and a high degree of consciousness in learning from Lei Feng.

An important experience we have summed up in the activity to learn from Lei Feng in the past few years is that we should learn from him at our work posts, persist in learning from him all year round, and pay attention to

results of learning from him. In carrying out new tasks in the new situation, we should integrate the movement to learn from Lei Feng with our current construction tasks and with our work and daily lives to render better service to reform, opening up, and economic construction. All trades and professions should consider their characteristics when they learn from Lei Feng. They should avoid uniformity and formalism. We should guide the masses' enthusiasm for learning from Lei Feng in a way that they will dedicate themselves to doing their work well at their posts. We should strive to make the Lei Feng spirit prevail whenever people do their work or engage in manual labor. In this way, the movement to learn from Lei Feng will continue to deepen and yield good results.

Young people are the future of the motherland. It is particularly important to launch a movement to learn from Lei Feng among them, so as to guide them to grow up in a healthy manner. We should integrate learning from Lei Feng with learning from advanced personalities, past and present, and integrate learning from the Lei Feng spirit with education in patriotism, collectivism, and socialism. Activities to learn from Lei Feng should be lively, rich, and varied to suit young people's characteristics. All organizations of the party and the Communist Youth League and all sectors of society should attend to this important matter, which concerns the future development of the socialist cause.

Communist Party members should serve as models in learning from Lei Feng. Leading cadres should first set an example. The masses set high demands and place high hopes on leading cadres, and the words and deeds of leading cadres can have a great impact on the masses. Leading cadres should truly learn from the Lei Feng spirit to serve as a model in working hard, in being clean public servants, and in selfless dedication to one's duties. We are convinced that if Communist Party members and leading cadres at all levels translate what they have learned from Lei Feng into actions and set a good example, they will be able to give a big boost to the movement to learn from Lei Feng. Thus, the movement will flourish without losing its vitality.

Commentary Praises Campaign

OW0503084793 Beijing XINHUA Domestic Service in Chinese 0409 GMT 22 Feb 93

["Commentary" by reporter Yang Mingqing (2799 3046 7230)]

[Text] Beijing, 22 Feb (XINHUA)—The campaign to emulate Lei Feng, which has been going on for 30 years, has become a spiritual-civilization campaign which produces profound effects and plays a great role in our society. The Lei Feng spirit has educated and cultivated a generation of new socialist people and greatly promoted socialist spiritual and material civilization.

From 1963—when Mao Zedong and other revolutionaries of the older generation initiated and launched the campaign to emulate Lei Feng—up to today, and ever since the founding of New China, we have rarely had a

campaign like this in terms of scale, duration, extensiveness, and actual results. Lei Feng has become the most outstanding representative of heroes and models in our country during the period of socialist construction, and his spirit, which is the embodiment of socialist morality and practices, are upheld and practiced in our society. The campaign to emulate Lei Feng has spread from army camps and schools to the whole society, and the party, government, Army, civilian sectors, schools, and other fronts regard it as an important subject in their activities to promote spiritual civilization. Lei Feng has become a household name and his spirit is well known among the old and young in our country. The campaign to emulate Lei Feng not only exalts thousands of years of fine, traditional virtue of the Chinese nation, it also extensively propagates advanced socialist and communist ideologies. A campaign of such long duration, which attracts so many participants, and which enjoys such immense support is rare in the history of New China.

Despite some ups and downs, we have continued to carry out incessantly a nationwide campaign to emulate Lei Feng over the past 30 years. Great upsurges occurred four times—in 1963, 1977, 1983, and 1990—and inscriptions about Lei Feng, which were written by three generations of party and state leaders—Mao Zedong, Deng Xiaoping, and Jiang Zemin—were published in the newspapers and periodicals around the country many times. The diaries kept by Lei Feng; poems and articles written by him; and biographies, writings, dramas, movies, art, folk art, and other literary and art works about Lei Feng have been repeatedly performed or published; reading materials about him alone number more than 100 million copies. A survey conducted by relevant departments shows that at least 200 million people in the country have heard reports about Lei Feng's deeds; over 1 million people have heard comrades from the Communist Youth League [CYL], of which Lei Feng was once a member, talk about Lei Feng's deeds. The majority of the provinces, municipalities, and autonomous regions in the country have held exhibitions about Lei Feng's deeds and about emulating Lei Feng; 12 million people have visited Lei Feng memorial halls in Changsha, Fushun, and the Shenyang Military Region. People in our country customarily call those who help others, perform good deeds, and wholeheartedly serve the public or socialism "living Lei Fengs." "Emulate Lei Feng To Foster New Styles," "The Lei Feng Emulation and Voluntary Service Day," "Soldiers and Civilians Jointly Emulate Lei Feng," "Emulate Lei Feng To Perform Good Deeds," and "Emulate Lei Feng on the Job" are solid, effective, widespread, enduring, and socially accepted forms of activities. Countless schools, factory teams and groups, sentry boxes, gardens, and locomotives in various places were named after Lei Feng. Hundreds of thousands of Lei Feng emulation groups and handy service teams for the people, which have been systematically established by the People's Liberation Army [PLA] and the CYL, have performed innumerable good deeds, such as helping the poor and giving them a feeling of warmth, holding the old by the arm and the

young by the hand, and taking up the cudgels for a just cause. To live like Lei Feng and to conduct oneself like Lei Feng—these are the motto and outlook of life for the great masses of people, as well as the main theme of socialist spiritual civilization.

The Lei Feng spirit, which combines communist ideology with the fine, traditional virtue of our nation, is an advanced and popular spirit. It fulfills the demand of the times and the wishes of the people; it has influenced, inspired, educated, and cultivated a generation of socialist "new people who possess the four qualities [lofty ideals, moral integrity, education, and a sense of discipline]". Thousands and tens of thousands of advanced individuals and groups in Lei Feng style have emerged from all fronts and sectors in our country; thousands of them were given or conferred titles, or set up as pacemakers, by the Central Military Commission, the three PLA general departments, the CYL Central Committee, the All-China Federation of Trade Unions, and the All-China Women's Federation, and at or above the provincial, municipality, and autonomous regional levels; countless others at or below the prefectural and city levels and in grass-roots units at or below the Army corps levels were commended and elected as advanced individuals or groups in the emulation of Lei Feng. A large number of these advanced individuals are Lei Feng-emulation models who had great impact on the country: Wang Jie, Ouyang Hai, Liu Yingjun, Zhu Boru, Li Runhu, Zhang Zixiang, Yang Dalan, Pan Xinglan, Yan Libin, and Lai Ning. The joyful thing is that, at a time when we are vigorously developing a commodity and market economy, a large group of heroes and models who take Lei Feng as their model have made selfless contributions, performed moving deeds themselves, and created the images of true communists in the new era; they have played an active role in improving the party style and the general mood of society; and have written a brand new chapter in the history of socialist spiritual civilization in our country.

Leaders Mark Anniversary

OW0503062693 Beijing XINHUA Domestic Service in Chinese 0751 GMT 4 Mar 93

[By RENMIN RIBAO reporter Yang Zhenwu (2799 2182 2976) and XINHUA reporter Sun Benyao (1327 2609 1031)]

[Text] Beijing, 4 Mar (XINHUA)—A meeting marking the 30th anniversary of inscriptions written by Mao Zedong and other revolutionaries of the older generation in honor of Comrade Lei Feng was held at the Great Hall of the People today.

Prior to the meeting, central leading Comrades Jiang Zemin, Liu Huaqing, Hu Jintao, Ding Guangen, and Li Tieying warmly received and had a photo session with representatives of the advanced collectives and individuals who were commended for their learn-from-Lei Feng activities.

To further implement the principles laid down by the 14th National Party Congress on maintaining a balanced two-handed approach, highly commend the advanced, promote the Lei Feng spirit, and deepen the learn-from-Lei Feng activities, the CPC Central Committee's Propaganda Department, the State Council's General Office, the People's Liberation Army's [PLA] General Political Department, and the Communist Youth League [CYL] Central Committee decided to commend 101 advanced collectives—including the general service team for learn-from-Lei Feng activities under the Xuanwu District CYL Committee in Beijing Municipality—and Zhang Lili and 99 other advanced individuals for their remarkable contributions to launching learn-from-Lei Feng activities on the 30th anniversary of the inscriptions written by Mao Zedong and other revolutionaries of the older generation.

The meeting began at 0900 [0100 GMT]. Xu Zhijian, deputy secretary general of the State Council, read the "Decision on Commending Advanced Collectives and Individuals in Learn-From-Lei Feng Activities" adopted by the CPC Central Committee Propaganda Department, the State Council General Office, the PLA General Political Department, and the CYL Central Committee. Noncommissioned officer Wang Huatang, a representative of the advanced collectives and a shipping specialist at the Changshan garrison division in the Jinan Military Region, and Zhu Lianxiang, a representative of the advanced individuals and a passenger service attendant at the Harbin railway station of the Harbin Railway Bureau, spoke at the meeting.

Hu Jintao delivered a speech at the meeting. He extended warm greetings to the meeting on behalf of the CPC Central Committee and the State Council. He also expressed warm regards for and paid high tribute to the advanced collectives and individuals involved in learn-from-Lei Feng activities.

Hu Jintao said: In the past, the Lei Feng spirit was of great value and epochal significance for our nation and society; it remains so today.

He said: The entire party and people across the country are seriously implementing the 14th national party congress guidelines as they work hard to attain the grand goal of reform and construction during the nineties. There are signs of vitality everywhere in the country. During this period of great change, and faced with formidable historic tasks, we should all the more demonstrate a spirit of dedication by waging arduous pioneering work, actively forging ahead, constantly striving to improve ourselves, and conducting strenuous efforts. We should all the more adopt an attitude befitting our role as masters of our own country by taking overall interests into consideration, performing our duties devotedly, working selflessly for public interests, and stressing the interests of the state and collectives in everything we do. We should all the more foster a social atmosphere characterized by mutual respect, pleasure in helping others, honesty, reliability, and harmony. These

attributes are precisely the substance of the Lei Feng spirit. Promoting the Lei Feng spirit is still essential for progress in our era and for the development of our program of reform, opening up, and modernization.

Hu Jintao stated: In promoting the Lei Feng spirit, we should follow Lei Feng's example of devoting our limited lives to the boundless cause of serving the people; demonstrating patriotism; fostering collectivism; strengthening our socialist convictions; waging arduous struggles; conducting pioneering work through diligence and thrift; carrying forward the "spirit of the nail" [seizing every available minute to delve into revolutionary theory like a nail being driven into a piece of wood]; studying hard; arming, improving, and perfecting ourselves with Marxist theory as well as modern science and knowledge; and applying and devoting ourselves to our duties as we try to function as a screw that will never rust in the cause of modernization.

Hu Jintao said emphatically: In launching learn-from-Lei Feng activities today, we should learn the essence of the Lei Feng spirit; aim to cultivate new socialist people with lofty ideals, moral integrity, education, and a sense of discipline; and promote the fine traditions of the past without confining ourselves to certain specific practices adopted previously. We must accommodate the needs for reform, opening up, and modernization and constantly improve, innovate, and refine the substance and methods of our activities in light of the new circumstances and problems that have arisen in practical life. While focusing on the central task of economic construction, we should further expand the main theme of "learning from Lei Feng on the job and cultivating a new occupational style." While continuing to wage various social welfare activities, we should harness public enthusiasm for learning from Lei Feng and convert it into attention and dedication to one's job. We should improve occupational ethics and remedy unhealthy practices in various business sectors. Specifically, we should improve the practices of various business sectors that directly serve the public, production, and management. We should start by solving practical problems, make constant efforts, stress tangible results, firmly foster the Lei Feng spirit in each of the ordinary jobs devoted to socialist modernization, and infuse the Lei Feng spirit into the people's concrete practice of working for common ideals.

The meeting was held by the CPC Central Committee's Propaganda Department, the State Council's General Office, the State Education Commission, the PLA's General Political Department, the CYL Central Committee, the Beijing Municipal Party Committee, and the Beijing Municipal Government. Xu Weicheng, executive deputy director of the CPC Central Committee's Propaganda Department, presided over the meeting. Also in attendance were Yu Yongbo, Xu Zhijian, Liu Bin, Song Defu, Li Qiyang, and other responsible persons from relevant departments. Representatives from various departments under central government organs, PLA

and armed police units stationed in Beijing, and various localities also attended the meeting.

Military Leaders Visit Exhibit

OW0503091493 Beijing XINHUA Domestic Service in Chinese 1050 GMT 3 Mar 93

[By RENMIN RIBAO reporter Ge Jia (6753 0857) and XINHUA reporter Luo Yuwen (5012 3768 2429)]

[Text] Beijing, 3 Mar (XINHUA)—An exhibition on "Composing New Songs With the Lei Feng Spirit" to commemorate the 30th anniversary of inscriptions on Lei Feng written by Mao Zedong and other proletarian revolutionaries of the older generation opened at China's Military Museum today.

Leading comrades of the Central Military Commission, including Liu Huaqing, Zhang Zhen, Chi Haotian, Zhang Wannian, Yu Yongbo, and Fu Qian attended the opening ceremony and visited the exhibition. Leading comrades of the Military Commission praised the exhibition for having so movingly and convincingly reviewed in a systematic manner the achievements of the all-Army in emulation of Lei Feng in the past 30 years, particularly since the Third Plenary Session of the 11th CPC Central Committee.

Sponsored by the People's Liberation Army [PLA] General Political Department, the exhibition is composed of five sections: the great call and the immense inspiration; an ordinary life and a noble example; firm leadership and solid pace; an ode of the times and a brilliant constellation; joint emulation by the military and the people, and a new style manifesting everywhere. Using an inscription on Lei Feng by Comrade Mao Zedong calling for "learning from Comrade Lei Feng" as a historical starting point, the exhibition reflects in an all-around way the achievements of the whole Army in its drive to emulate Lei Feng over the past 30 years, and the emergence of a large number of advanced models in emulating Lei Feng. The exhibition displays a total of 460 photographs, over 300 items of cultural relics, and 19 inscriptions written by leading personalities; 28 charts, diagrams and abstracts; and 3 sculptures. Some of the photographs and historical relics appeared for the first time before the eyes of spectators.

Prior to the opening ceremony, leading comrades of the Military Commission met with representatives of the advanced collectives and individuals in the whole Army participating in a forum on learning from Lei Feng. They encouraged the participants to keep up their good efforts and make even greater contributions.

Yu Yongbo, director of the General Political Department, made the opening address. He said: Over the past 30 years, officers of men of our Army have zealously responded to the party's call and unrelentingly launched activities to learn from Lei Feng and continued to carry

forward the Lei Feng spirit and vigorously pushed forward an all-around building of the Army. Our continuous efforts and drive to emulate Lei Feng and vigorously glorify the Lei Feng spirit in the new historical period is of great importance and far-reaching significance in inspiring officers and men of the whole Army to carry forward the fine tradition of our Army, to always follow the advice of the party, wholeheartedly serve the people, work hard with a single heart and mind, and to speed up the Army's revolutionization, modernization and regularization. Officers and men of the whole Army should, under the guidance of Comrade Deng Xiaoping's thought on Army building during the new period, make efforts to emulate and practice the Lei Feng spirit at their respective posts, comprehensively increase the combat effectiveness of the Army, and make new contributions in properly fulfilling the sacred mission entrusted by the party and the people, in achieving greater victories in the socialist undertakings with Chinese characteristics.

Also attending the opening ceremony were leading comrades of the PLA General Staff Headquarters, the General Political Department, and the General Logistics Department, major units of various troops stationed in Beijing, as well as from the Armed Police Force Headquarters.

State To Improve Payment Methods for Peasants

OW0403141293 Beijing XINHUA Domestic Service in Chinese 0805 GMT 24 Feb 93

[By reporter Ji Bin (1213 2430)]

[Text] Beijing, 24 Feb (XINHUA)—The State Council has decided that, beginning with the 1993 fiscal year, the state will pay to peasants in cash the difference between the market prices of chemical fertilizers and diesel and the fixed prices offered to contracted growers as an added price for grain and cotton purchased, rather than supplying peasants with chemical fertilizers and diesel at fixed prices as support for grain and cotton production. The state's preferential treatment, in offering production materials at fixed prices, will thus be directly passed to peasants.

At the continuing national conference to announce grain producing and marketing policy, and to order grain, the State Council announced its decision to improve the methods for implementing the "three-linking" policy.

The "three-linking" policy was adopted by the state in 1987 to encourage and support peasants in developing grain and cotton production. Under the policy, the state provides peasants with chemical fertilizers and diesel at fixed prices, and according to a specific standard for grain procured from them. The state will also advance a specific proportion of deposits to peasants to purchase chemical fertilizers at fixed prices and according to a specific standard for cotton procured from them. This policy has played an important role in maintaining the peasant's enthusiasm, and in stabilizing grain and cotton production. However, some problems also arose during

its implementation. The major problems were: The varieties of materials supplied were unsuitable for the peasants' use, materials were not supplied in time, materials were dispersed and supplied in pieces rendering them difficult to use. More importantly, the peasants did not receive these materials and thus did not fully enjoy the state's preferential treatment of materials supplied at fixed prices. Meanwhile, the "dual-track system" for pricing materials needed for agricultural production has not been helpful in developing the agricultural materials market or to perfecting the market mechanism. Therefore, it is necessary to improve ways of implementing the "three-linking" policy.

The improvements proposed by the State Council are important measures for further supporting the preferential policy and for promoting stable grain and cotton production. The State Council has decided that paying the difference between the market and fixed prices of production materials offered to contracted growers as an added price for grain and cotton purchased will be determined according to the varieties and quantities of grain and cotton purchased by the state. The standard for price differential will be based on the difference between fixed and market prices of chemical fertilizers and diesel and according to the existing quantities stipulated by the state. The standard for the national average is: 4.2 yuan for every 50 kg each of wheat and corn, 5.2 yuan for every 50 kg of rice, 5.5 yuan for every 50 kg of soybeans, and 12 yuan for every 50 kg of cotton. Localities may appropriately increase the added price standard according to their financial capability. Grain departments will continue to pay the deposit for purchases, which is 20 percent of the purchase price, when they sign grain procurement contracts with peasants.

The State Council stressed that after adopting the new methods, the central government will continue to maintain the quantities, but will liberalize the prices of chemical fertilizers and diesel originally supplied at fixed prices to provinces, autonomous regions, and municipalities. The exact total of added prices will be paid to peasants during procurement. The portion of materials to be supplied by localities under the "three-linking" policy, and additional fertilizer and diesel outside the state's stipulation, should be paid to peasants in cash. Local governments will be responsible for the difference between fixed and market prices of these materials. All localities must actively raise funds and guarantee that the money paid on time to procurement departments, should be paid in turn to peasants, in the full amount and without delay.

State Council Urges Enhancement of Afforestation

OW0403172593 Beijing XINHUA in English 1640 GMT 4 Mar 93

[Text] Beijing, March 4 (XINHUA)—The State Council has issued a circular urging local governments to carry out more afforestation to improve the ecological environment.

The circular says that though China has made remarkable achievements in afforestation, per-capita forest resources are still low.

Urging all local government and relevant departments to enhance afforestation, the circular calls on everybody to participate in afforestation.

Moreover, the circular urges all local governments to work out practical plans for compulsory afforestation and necessary regulations to improve the afforestation standards.

In order to improve the urban environment, the circular suggests that all cities work out and implement plans for urban afforestation and, where possible, to establish green belts and forest parks.

State Launches Campaign To Enhance Air Safety

HK0403022793 Beijing CHINA DAILY in English 4 Mar 93 p 1

[By staff correspondent Xie Yicheng: "Campaign Launched To Enhance Air Safety"]

[Text] China will tighten up aircraft safety after four air disasters that killed 276 people last year.

An on-going safety campaign will cover all Chinese airlines and airports this year, ensuring that no serious flight mishaps reoccur.

The Civil Aviation Administration of China (CAAC) demands flight safety to be the top priority. Pilots are forbidden from flying passenger jets beyond their flight time limit and from taking off or landing in bad weather.

CAAC will organize safety inspections among its subsidiaries and do spot checks in June.

Dangers increased last year as China's domestic airlines grew.

Four crashes between July and October claimed the lives of 276 passengers and crew.

Two of the planes belonged to the China General Aviation Corporation. The others were owned by China Southern Airlines and Wuhan Airlines.

CAAC's director-general, Jiang Zhuping, told a national meeting on flight safety in Xiamen, Fujian Province, that the disasters had badly undermined China's reputation.

"It's imperative that we draw a lesson from these air crashes which exposed hidden dangers and problems in our work," Jiang said.

Slack safety controls and a violation of operational rules were blamed for these accidents.

A few CAAC airlines, faced with a new boom in air travel, hurriedly expanded, letting their pilots fly overtime to cope with a 30 percent growth rate in passenger volume last year.

But all this was done at the cost of professional standards, aircraft maintenance and flight control.

Some local authorities also rushed to buy planes and set up their own airlines.

Although these eased the air transport shortage, they led to questions of flight safety and problems in air administration.

Jiang hopes the country's legislators will ratify China's aviation law at the Standing Committee of the National People's Congress as soon as possible.

Meanwhile, a series of technical rules for more rigid safety management will soon be put into effect.

Unions Show Support for Beijing Olympic Bid

HK0503033893 Beijing CHINA DAILY in English
5 Mar 93 p 3

[By staff reporter Wang Rong: "Workers Get Behind Bid for Olympics"]

[Text] Chinese workers are behind Beijing's bid to host the 2000 Olympics.

Zhang Dinghua, vice-chairman of the All-China Federation of Trade Unions, handed a letter of support on behalf of the nation's 140 million workers to the Beijing 2000 Olympic Games Bid Committee at a news conference in Beijing yesterday.

Accounting for about 10 percent of China's population, the workers are important in maintaining social stability and ensuring financial backup for the Olympiad.

"The biggest support workers can provide us with is achieving faster growth in economies," Wu Shaozu, director of the bid committee, told the press conference.

Shang Baokun, chairman of the Beijing municipal federation of trade unions, said the capital's four million workers would improve the city's service industries in preparation for the Games and take part in pre-Olympic events such as the 1993 spring long-distance race.

'Cleaner' Beijing Campaign To Help Olympics Bid

HK0503033593 Beijing CHINA DAILY in English
5 Mar 93 p 3

[By staff reporter Wang Yonghong: "Bold Green Blueprint To Spruce Up Beijing"]

[Text] A top municipal official vowed yesterday to turn Beijing into a greener—and cleaner—capital by the year 2000.

Li Yongfang, director of the municipal forestry bureau, added that planting more trees and other vegetation would also help the city's bid to host the 2000 Olympic Games.

Beijing would spare no efforts to further improve the environment, not only for athletes if the city won the Olympiad, but also for its residents.

By the turn of the century, every citizen would have an average of 10 square metres of green land, compared with 6.31 square meters at present.

Li said Beijing would increase its coverage of forests to 40 percent of its total area, compared with the present 30 percent. Ten years ago, forestry covered only 16.6 percent of the capital.

In addition, three huge green shelter belts would be completed around the city, protecting Beijing from sand and wind, one of the most serious headaches both for residents and governments.

Downtown, all barren land would be planted with trees, grass or flowers to create a garden-like city.

As the first step, 85,000 hectares of trees will be planted this year.

"During the coming national tree-planting season beginning later this month, more than four million trees will be planted by the city's residents and officials," Li revealed.

Thanks to afforestation, the environment had already improved greatly, green zones currently totalling 3,526 hectares compared with 2,426 hectares a decade ago.

The municipal government stipulated that every construction project must include a tree-planting or vegetation plan.

As a result, all 60 newly-established residential quarters had grass, trees or flowers planted and gardens established.

Nearly all streets, roads, highways or overpasses in the central city had been beautified with trees, grass or flowers, Li said. Millions of different kinds of trees had been planted along both sides of the Second and Third Ring roads which encircled downtown Beijing.

In addition, 9,000 of the city's 10,000 suburban roads had been planted with trees and all 400 kilometres of highways into the capital enhanced by wide green belts.

Military

Army Paper Views Social Status of Servicemen

HK0403115593 Beijing JIEFANGJUN BAO in Chinese
19 Feb 93 p 3

[Article by Li Dianren (2621 3013 0088): "View the Army's Status in a New Light"]

[Text] The social status of servicemen is always closely related to the Army's status in the country. Such being the case, almost all servicemen hope for a rise rather than a drop in the Army's status.

Ever since we entered the new historical period, with the shift of the work focus of the whole party and the whole country to economic construction, the status of the Army has, in a sense, not been as conspicuous as it was during the fierce military struggle in the past, and it has indeed dropped slightly. As a result, some comrades always feel unhappy about this and even do not engage in military work contentedly. This is a matter of understanding coming under the category of changing one's idea.

In fact, a drop in the Army's status is a good thing rather than a bad thing. Why? This is because when the Army's status rises, the country is in a state of disaster; when the Army's status drops, the country is in a relatively stable situation. Under what circumstances is the Army popular? First, it was during the war years. At that time, because we did everything for the front and the war and we centered all fields of endeavor around military work, the Army was naturally very popular. Second, it is during a turmoil, especially a big one. Since the Army plays a special role in quelling a turmoil and stabilizing a situation, it is also very popular. Third, it is when the Army is needed to rush to deal with an emergency. The masses of the people "look forward to the arrival of their kinsmen, the Liberation Army, as they do the stars and the moon." Therefore, viewed from this angle, it may not be bad if the Army is not popular. If someday the Army is totally unpopular, has no place to display its prowess, and has no need to exist, it will be very good indeed for we shall have achieved communism. Of course, we cannot attain this today and we still cannot do without the Army.

At present, taking economic construction as the center, the state is concentrating human, material, and financial power in economic construction. This is correct and in keeping with the party's basic line of "one center, two basic points." It can be imagined that, should we take political or military struggle as the center, our economic construction would be adversely affected and it would be very hard to increase national strength and improve the people's livelihood. Under special circumstances, we have no other choice but take other work as the center, but our aim is still to create conditions for the development of the economy. After a certain time, we still have to take economic construction as the center because the economy is the foundation.

We should not approach the issue of the Army's status today with the concept of the war years or the Cultural Revolution. A slight drop in the Army's status today is a normal phenomenon. Should we return to the previous conditions, it would be abnormal and also harmful to the state, the people, and the Army.

The Army's place in the country, which is like a big chessboard, can be moved according to changes and needs in the situation, but this does not mean that the Army's importance and value will also change. Military strength is an important component part of the comprehensive national strength. The Army has an irreplaceable role in defending state security and protecting state

interest. Given the complicated, changeable, and turbulent international situation today, army building should not be weakened but further strengthened. The Army should still be maintained at a certain scale.

In short, it is necessary to view in a new light the myriad changes, including the change in the Army's status brought about by reform and opening up. In so doing we shall not have a sense of loss nor shall we think of giving up military careers and engage in business or other trades despite the popular fad "to sail in the boundless sea of the market economy."

Under the new situation, the Army should also vigorously seek development. On the road to modernization there are many difficulties and problems. Only by vigorously solving problems can we attain gradual development; only through development can we solve problems once and for all. Comrade Deng Xiaoping said: "Development is an overriding principle [ying dao li 4289 6670 3810]." This is absolutely true!

PLA's 'The Road of China' TV Series Reported

OW0403003493

[Editorial Report] Beijing Central Television Program One Network in Mandarin 15-24 February broadcasts a 10-part series under the general title "The Road of China." It is produced by the People's Liberation Army [PLA] General Political Department and narrated by two unidentified announcers. The first part of the series, entitled "The Oriental Declaration," is referent item. The other nine episodes in the series are covered in this five-take editorial report.

Part 2: "Tide From the Five-Colored Land"

The second episode in the series is called, "Tide From the Five-Colored Land," and runs for 42 minutes. It is broadcast at 1310 GMT on 16 February, and traces the beginnings of the policy of reform. Part two begins with mention of two meetings which a narrator says heralded China's reform. The first was held secretly on 1 December 1978 by 21 farmers in the Xiaogang production team in Fengyang county, Anhui Province, to discuss the farm production contracting system. The second one was the third plenary session of the 11th CPC Central Committee in Beijing on 18 December 1978. At a forum attended by party secretaries of provinces, municipalities, and autonomous regions in September 1980, participants pointed out that all forms of responsibility system that contributed to an increase in production and income were good. The narrator says the forum was an important meeting in the history of reform. The wording in the minutes of that forum were cautious, says a narrator, but what followed were bold actions.

In 1980, only 28 percent of production teams in China practised a contractual responsibility system with remuneration linked to output. That figure rose to 83 percent in October of the same year and to 92 percent in 1981. The implementation of the contractual responsibility system was a success which greatly

enriched the farmers who praised the communist party's policy of enriching the people. The narrator points out that for thousands of years Chinese farmers dreamed of having enough food and clothing. China's reforms have solved those problems.

The program turns to the increasing consciousness among farmers of the market economy and to the fact they began to rely on science and technology to invigorate farm production.

The success of rural reform spawned surplus labor in rural areas. To avert a repeat of the disasters that plagued western industrialized countries, China encouraged the development of rural enterprises to create jobs for surplus labor. The program highlights successful models of rural enterprises across the nation. By 1991, the total output value of rural enterprises topped 1,000 billion yuan and 93 million farmers were employed by rural enterprises.

Final scenes of part two show farmers-turned-entrepreneurs making inroads into urban areas and even foreign countries.

Part 3: "Ascent of the Coastal Areas"

The third episode in the series is called, "Ascent of the Coastal Areas," which lasts 50 minutes and is broadcast at 1315 GMT on 17 February. It looks at the development of special economic zones [SEZs]. It begins with a narrator saying that coastal cities have been the springboard for economic development in many developed countries. A narrator mentions particularly a meeting in 1979 in which Fujian and Guangdong leaders submitted their views to the CPC Central Committee on a strategy for reform and opening. Deng Xiaoping supported their idea, and the SEZs were set up in subsequent years. Narration moves on to relate the success in economic development of the SEZs and the open cities. A narrator then highlights the pioneering spirit of Shenzhen and its experiments on the transfer of land use rights, wage reform, and the stock market. There is also an interview with Shenzhen party secretary Li Hao on whether Shenzhen is "socialist" or "capitalist." A narrator says that Shenzhen's achievements prove it is "socialist."

Toward the end of the episode describes the rise of the SEZs and their move onto the world arena, and the expansion of economic activities in areas along the border with neighboring countries. Narration ends with an announcement that the next phase of the strategy is to build Shanghai's Pudong region into a free trade zone like Hong Kong and to open the whole of the Changjiang basin.

Part 4: "Boundless Hope"

The fourth episode in the series, called "Boundless Hope," lasts 42 minutes and is broadcast at 1310 GMT on 18 February. It is about the development of the market economy in China. The narration begins with the words: "History is evolving and hope is boundless. News of reform success has been reported in rural areas and in

special economic zones. Evolving history extends hope to urban areas, enterprises, every workshop, and to everyone in the nation."

It then turns to the 20 October 1984 when the third plenary session of the 12th CPC Central Committee released a programmatic document on comprehensive reform of the nation's economic structure. The document marks plans to integrate the planned economy with a market economy.

This part then turns to the development and thriving nature of the private economy in China, and interviews of some successful private businessmen and businesswomen are shown, as well as some successful private enterprises, pointing out that a combination of a planned economy and a market economy is a universal trend of modern economic development.

Since the 1980's, the CPC has been vigorously studying the issue of a socialist market economy. With the commercialization of the means of production and pricing and financial structural reforms, the socialist market economy is making great strides.

The series continues by introducing reform at China's large and medium-sized enterprises, including some reform-minded plant directors.

Reform successes are enumerated, including the Shoudu Steel Complex's annual increase of profits of up to 20 percent, 1.2 times more electricity being generated than before reform, and China becoming the world's number one coal and cotton fabric producer.

In conclusion, the narrator says "the road of reform is still very long, but guided by the spirit of the 14th CPC Congress, new successes in economic development and in social progress will surely be continuously reported. Reform brings endless hope. There will be brighter hope tomorrow."

Part 5: "The Hot Current Under the National Flag"

"The Hot Current Under the National Flag," the 42-minute fifth part of the series, broadcast at 1310 GMT on 19 February, is about the political structure's reform. This part begins with an unidentified woman correspondent interviewing people at Tiananmen Square. One middle-aged man from Gansu, when interviewed about political structural reform, stressed the necessity for simplifying administrative details and delegating power. Another man from Xinjiang emphasized the need for enhancing the legal system and building democracy.

The narrator says "the call for political structural reform through economic reform, in the final analysis, is a call to the road of socialism with Chinese characteristics. From the very beginning, Deng Xiaoping has represented this historical call."

The narrator notes that on 30 March 1979, Deng Xiaoping systematically expounded the four cardinal principles at a working conference on party theory, and

on 18 August 1980, Deng Xiaoping for the first time proposed reforming the party and state leadership system at an enlarged meeting of the Political Bureau of the CPC Central Committee. From then on, the course of developing a socialist democratic system and of reforming the political structure—with the main emphasis on perfecting the people's congress system, multiparty cooperation, and the political consultation system under the leadership of the CPC—began step-by-step.

The narrator asserts "without democracy, there will be no socialism," and then cites examples of National People's Congress (NPC) deputies exercising their democratic rights. At the Sixth NPC session, deputies raised questions on economic construction. At the Seventh NPC, deputies debated the economic development plan. Regarding the Three Gorges Project report, many NPC deputies voted against it, thus displaying a democratic spirit. The narrator says that the nature of a socialist democracy and the democratization process of the state's decisionmaking process has been fully manifest throughout the whole process of verification of the Three Gorges Projects.

The scope of direct elections of people's congress deputies has extended from the township level to the county level. Reforming the election system has raised the consciousness of the people; they now believe that they are the masters of their country.

Reform has forged closer cooperation between the Communist Party and democratic parties. Li Peiyao, vice chairman of Revolutionary Committee of the Chinese Kuomintang Party, noted that he was given full power in his three-year stint at the Ministry of Labor.

The narrator asserts that "on the Chinese political stage, there will be no one-party system, and no Western-style multiparty system and opposition parties. The relationship between the CPC and democratic parties is that of a ruling party and of political participation and cooperation. Because this kind of relationship was shaped by history, it should be continued. History has proven that the multiparty, cooperative political consultation system is a democratic political system with Chinese characteristics. The system has been perfected through reform."

The series turns next to the autonomy of China's minorities.

Regarding the building of the legal system, between 1972-1991, the state enacted 112 sets of laws, formulated 600 administrative rules, and 2,000 local regulations.

Since the first five-year plan on the popularization of laws, which was begun in 1985, some 700 million people have been imparted with legal knowledge. The second five-year plan on the popularization of law is now underway.

China's first administrative litigation law became effective on 1 October 1990. Farmers in Zhejiang and Hunan Provinces resorted to this law to bring suits against

county governments. A narrator notes that when citizens disagree with or are dissatisfied with administrative measures, they no longer remain silent; instead they begin exploring legal means of redress. Narration says: "It is historical progress. An exciting and encouraging socialist age has arrived."

The program then turns to the need for a sound system of supervision to perfect the democratic system. Thanks to reports and supervision by citizens, many cases of corruption by officials have been exposed.

Since 1984, many areas in Shandong, Inner Mongolia, and Hunan have carried out pilot projects on reforming government organs.

At a meeting with foreign guests and notables from Hong Kong in 1984, Deng Xiaoping broached the great concept of peaceful unification of motherland and the idea of one country, two systems. A narrator predicts that the concept of one country, two systems will surely score an historical victory for peaceful unification in the foreseeable future.

Final scenes show a fluttering PRC flag with narration which says that the fluttering flag will create a wind of reform and a wind for the new century.

Part 6: "The Burning Sacred Fire"

The sixth episode in the series is called "The Burning Sacred Fire," and runs for 45 minutes. It is broadcast at 1310 GMT on 20 February and deals with the construction of a spiritual civilization. The opening scenes show video footage of Deng Xiaoping at the 12th CPC National Congress in September 1986 and then the "Resolution on The Guiding Principle for Building Socialist Spiritual Civilization." The resolution points out that the fundamental task of building socialist spiritual civilization is to meet the needs of building socialist modernization. The program then moves on to show footage of sports and reading activities, people at work, donating blood, and in other activities.

A narrator says the party and government are determined to improve education by mobilizing all forces. The program then looks at the role of intellectuals in economic construction before cutting to show an international symposium at which, according to a narrator, foreign experts are praising China's education reforms in rural areas.

The episode ends with shots of a large sports stadium where people are taking part in sporting activities.

Part 7: "Wings That Hang Down From the Sky"

The seventh episode in the series is called "Wings That Hang Down From the Sky," and lasts 42 minutes. It is broadcast at 1310 GMT on 21 February and describes China's promotion of science.

The opening scenes are video footage of China launching a satellite.

On 18 March 1978, Deng Xiaoping made an appeal to China's scientists on the modernization of science and technology. Video also shows Deng Xiaoping visiting a space museum in the United States in 1979.

Narration notes the brilliant scientific achievements of ancient China, saying China will score greater scientific achievements in the future.

Deng Xiaoping says science and technology are a primary productive force.

The program then moves on to look at the high status of China's scientists.

By the end of 1991, some 50,000 scientists had returned to China after completing their studies abroad. Several outstanding scientists are introduced who returned to China to serve the motherland.

On 13 March 1985, the CPC Central Committee adopted a decision on reforming the structure of science and technology. The reform has greatly promoted basic and applied scientific research.

Scientists began working at workshops and rural areas. The episode introduces two agronomists who work to increase grain output.

Following this, China's patent system, scientific exchange, and technological market are introduced.

A narrator says that China promotes new and high technology, including an electron collider project, and that there are now 40 technology development zones across China.

The final scenes are video footage of China successfully launching an Australian satellite.

Part 8: "The Towering Great Wall"

The eighth episode is called "The Towering Great Wall," and lasts 42 minutes. It is broadcast at 1335 GMT on 22 February and looks at China's national defense. There is extensive video footage of military exercises featuring tanks, artillery fire, naval vessels, and fighter planes.

The opening narration says that the army is a great steel wall of peace and that reform requires a stable environment.

At the Third Plenary Session of the 13th CPC Central Committee, China's leaders mapped out an Army-building plan for the future. The video then shows Deng Xiaoping reviewing troops.

The narrator says a strong Army requires a strong economic base. The Army must submit itself to the state's economic construction and must strive for modernization in national defense construction. According to Deng Xiaoping's theory on Army-building in the new period, the Army must stress quality and must take the road of making itself lean and strong. The state has progressed during reform, and so will the Army.

At the Central Military Commission's enlarged meeting, which was held on 4 June 1985, Deng Xiaoping announced a plan to demobilize one million troops. The most far-reaching and historical significance of the demobilization plan for the Army is that it enabled the Army to create a new phase in quality construction.

Video footage then cuts to show Jiang Zemin, Li Peng, Yang Shangkun, and others viewing a military exercise.

The series then turns to military education, noting PLA officers receive education on the four cardinal principles and on reform and opening; PLA officers and men are also seen visiting SEZ's.

The narrator announces that group armies were formed in 1985, and the video shows naval vessels, helicopter gunships, submarines, and fighter planes. The Army lets civil sectors share military airports, harbors, and railroads, and servicemen take part in key construction projects, including working at Shengli Oil Field and at a project to divert water from the Luan River to Tianjin. Armymen also help put out forest fires and take part in flood relief work.

Finally, an aerial view of the Great Wall is shown, while the narrator notes that the "People's Army will always be the protector of socialist undertakings and will always patrol along the thousands of miles of our line of defense."

Part 9: "Moving Around the World"

"Moving Around the World," the 42-minute ninth part of the series, broadcast at 1423 GMT on 23 February, is about China's foreign diplomatic and trade relations.

The narrator cites Deng Xiaoping's remarks by saying that economic and peace are two central issues for today's world; while the East and West grapple with the peace issue, the South and North are facing economic issues. The narrator continues: "The world needs peace, and so does China; the world requires development, and so does China; peace and development are the central themes of today's world and they are the call of history."

Noting China's desire for peace, the narrator points out that China cast a yes vote at the United Nations to impose economic sanction on Iraq because China is opposed to any country violating another country's territorial integrity and sovereignty; however, China abstained on the vote concerning U.S. military action in the Gulf because China always stands for attempting to use peaceful means to solve international disputes and conflicts.

The series continues, enumerating China's peaceful contributions, including their assistance in extinguishing oil field fires in Kuwait and sending peacekeeping forces to Cambodia. The narrator says, "During the Gulf War, China shaped an image of peace for itself; and the contributions it made to the world represent the power of peace."

The video then shows foreign dignitaries visiting China. Because of China's enhanced international role, it has been recognized in the international arena that without China's participation, it will be impossible to solve the issues of peace and development, whether they are of an international or regional nature. The narrator intones: "The Chinese nation has entered the rank of the world powers."

The rest of the program shows the development of China's external trade and relations with foreign countries, including the introduction of farmers turned entrepreneurs running firms overseas, visits of foreign tourists to China, and cultural and sports exchanges.

Part 10: "Hold Up the Sun of the New Century"

"Hold Up the Sun of the New Century," the 42-minute final part of the series under the general title "The Road of China," broadcast at 1340 GMT on 24 February, reviews 14 years of China's reform and opening to the outside world.

This part begins with video footage of Li Peng's announcing the opening of 14th CPC National Congress and Jiang Zemin delivering a report at the Congress. Video then cuts to show Deng Xiaoping visiting Shenzhen.

The narrator asserts that "building socialism with Chinese characteristics is a road that the Chinese nation must take and a road of success and hope for the Chinese nation. Building a socialist market economic system is the goal of reform and a historical trend."

The program continues, citing examples of the successes of 14 years of reform. Reform has promoted the integration of rural and urban areas and has narrowed the gap between the rural and urban populations. Farmers have become better-off, have started to run modern enterprises, and have even run community television stations.

The video then cuts to show Deng Xiaoping in Shenzhen again, saying: "Taking paths other than the path of adhering to socialism, of carrying out reform and the opening policy, of developing the economy, and of improving people's lives will lead China nowhere."

The narrator says: "We will never rest on the laurels of our achievements, which have attracted world attention; our goals are still not within reach, the road is still long, the tasks are even more arduous, and the situation ahead is particularly acute."

The scene then returns to Jiang Zemin, who is finishing his report to the 14th CPC National Congress. He urges, "All comrades in the party and all the people in the nation to forge greater unity, breathe the same breath, share the same fate, and march toward the grand goals by holding high the great banner of building socialism with Chinese characteristics."

The following phrase is then shown: "The path of building socialism with Chinese characteristics is a historical path that must be taken; it is a realistic path for

success and hope for the future." The final scene then shows Deng Xiaoping meeting party delegates to the 14th CPC National Congress.

Tibetan PLA Air Force Holds 6th Party Congress

OW0403063593 Lhasa Tibet Television Network in Mandarin 1200 GMT 2 Mar 93

[From the "Tibet News" program]

[Text] The Sixth Party Congress of the People's Liberation Army (PLA) Air Force units in Tibet solemnly opened in Lhasa on the afternoon of 1 March. Zi Cheng and (Ciren Zhuogar), leaders of the Tibetan regional party committee and government; Tibetan Military District (TMD) Commander Zhou Wenbi; TMD Political Department Director Tao Changlian; and leaders of the regional People's Armed Police Corps attended and addressed the opening ceremony. The party committee of the Chengdu Military Regional Air Force sent a congratulatory message to the congress.

Cheng Xueliang, commander of the PLA Air Force units in Tibet, presided over the meeting. On behalf of the Fifth Party Committee, Political Commissar Zhang Guoying, made a report to the congress that summarized the work during the three years since the convocation of the Fifth Party Congress of the PLA Air Force in Tibet. For the past three years, under the correct guidance of the Chengdu Military Region's Air Force Party Committee and the TMD Party Committee and in accordance with the general requirements—be politically qualified, have a perfect mastery of military skills, be highly disciplined, maintain a fine work style, and provide strong logistics support—put forward by Central Military Commission Chairman Jiang Zemin, the PLA Air Force in Tibet has made military training its central task and has strengthened the party's leadership and political-ideological work. It has done good job in improving work style and discipline and raising its logistics support ability. As a result, its military and political qualities have notably improved.

Commissar Zhang Guoying said: In the next three years, we should continue to carry out the guidelines of the 14th CPC National Congress and the enlarged meeting of the Central Military Commission. Under the guidance of Comrade Deng Xiaoping's thinking on Army building in the new period and his military strategic policies, we should emancipate the minds, seek truth from facts, unite with each other to forge ahead, and do a solid work. We should make vigorous efforts to promote the selfless spirits of old Tibet and (Ganbala) and score distinct achievements in strengthening cohesiveness among the Air Force units, improving overall combat capacity, establishing fine military traditions, successfully accomplishing various missions, and strengthening the overall construction of the Air Force.

Economic & Agricultural

Yang Shangkun Greets World Enterprise Congress

OW0403131893 Beijing XINHUA Domestic Service in Chinese 0845 GMT 3 Mar 93

[By correspondent Che Shuming (6508 2579 2494)]

[Text] Beijing, 3 Mar (XINHUA)—A three-day World Congress of Small and Medium Enterprises opened today in Beijing. Delegates from 41 countries and regions and their Chinese counterparts, some 500 in all, will conduct extensive and in-depth discussions on such issues as the current state of development of small and medium businesses, existing problems, and mutual economic exchanges and cooperation.

President Yang Shangkun sent a message of congratulation. It said: Small and medium enterprises play a very important role in the economic development of various countries in the world, particularly the developing countries. The Chinese Government has consistently supported and paid close attention to the growth and development of small and medium enterprises, and has drawn up many policies and measures in the last decade to encourage and support the development of small and medium enterprises, village and town enterprises in particular. Small and medium enterprises have now become a vital new force that help economic development in China. In the process of further accelerating reform, opening up wider, and establishing a socialist market economy in China, small and medium enterprises will certainly play an ever growing role.

Chairman Wan Li attended the opening ceremony and received distinguished guests from abroad who were participating in the meeting. He said: Small and medium enterprises represent the market economy. They have developed rapidly and played an important role in the development of a socialist market economy. In his speech, Mr. Ji Chaozhu, UN undersecretary-general, pointed out: Small and medium enterprises constitute an organic component of China's economic reform strategy. Although most of them are located in villages and towns, they are very dynamic and are a vital force in China's reform. He believed that the key to their future development lay in whether industrialization was extended to rural areas. The experience of China's rural population, which was involved in the development of small and medium enterprises through the jobs people took in it, can serve as a universal reference for many developing countries.

Also speaking at today's opening ceremony were Zheng Hongye, Chairman of the China Council for the Promotion of International Trade; Li Qiyuan, Mayor of Beijing Municipality; and Mr. Lei Te-xiu [name as published], Director General of the United Nations Industrial Development Organization.

It has been learned that the World Association of Small and medium Enterprises is an international, nongovernmental organization established in 1984. Currently it has about 150 members, and so far it has held six meetings. This was the first time a meeting had been held in China.

China 'More Attractive' to Overseas Businesses

OW0403143093 Beijing XINHUA in English 0723 GMT 4 Mar 93

["Roundup" feature]

[Text] Beijing, March 4 (XINHUA)—China has kept making itself more attractive to foreign investors by constantly expanding the areas for cooperation.

Of late, the China Petroleum and Natural Gas Corporation has announced that it will extend its cooperation with foreign counterparts in onshore oil exploration and development to 12 more regions in 10 provinces, autonomous regions and municipalities.

Earlier, the corporation had been cooperating with foreign oil firms in the onshore oil exploration and development in 11 southern China provinces.

The new areas opened to foreign oil firms total 417,900 square km, including the oil-rich Dam Basin in Qinghai Province and the Tarim Basin in the Xinjiang Uygur Autonomous Region.

Besides, the range of cooperation has extended from industry and agriculture and tourism facilities to commerce, foreign trade, communications and transportation, banking, real estate and insurance, in which foreign investment used to be banned.

The landmark breakthrough was made after Deng Xiaoping's talks during his south China inspection tour in the spring of 1992.

Last year, while China accelerated the opening up of the Pudong new development area in Shanghai and approved the opening up of the Yangpu economic development zone in Hainan Province, the State Council also approved the opening of five cities along the Yangtze River, 18 provincial capitals, 13 border cities and 34 ports.

In addition, the country lifted the control over foreign investment in retails, banking and insurance services.

In six cities, including Beijing and Shanghai, and in the five special economic zones of Hainan, Shenzhen, Zhuhai, Shantou and Xiamen, foreign investment began to flow into commercial enterprises.

Some Sino-foreign firms in Shanghai and Shenzhen were also set up and achieved success, and some large and medium-sized enterprises collected funds to upgrade their technology by issuing stocks and shares (including B-shares).

The real estate business, with the focus on land development, has become one of the major attractions for foreign businessmen.

With more areas being opened to foreign banks, there are now some 270 agencies of foreign banks and financial services in Shanghai and the five special economic zones.

In Shanghai, the No. 1 Department Store and the Yaohan International Group, a Japanese business giant, jointly run a large supermarket in Pudong.

According to government statistics, last year foreign investment increased rapidly in China—to 11.16 billion U.S. dollars.

The number of registered foreign-funded enterprises amounted 47,000.

The source countries of investment, the investment scope, and investment sizes have all been expanding.

While China is making efforts to absorb foreign funds, it also encourages Chinese enterprises to run joint ventures or wholly-owned enterprises abroad.

Statistics from the Ministry of Foreign Economic Relations and trade show that by the end of last year Chinese enterprises had set up about 4,100 jointly-funded or wholly-owned enterprises in 120 countries and areas in the world, with a total investment of 1.85 billion U.S. dollars.

Vice Minister Gao Notes Foreign Investment

OW0403113093 Beijing XINHUA in English 0851
GMT 4 Mar 93

[Text] Beijing, March 4 (XINHUA)—The rapid reform changes and high economic growth have pushed foreign investment in China to "an unprecedented scale," said a high-ranking Chinese official here Wednesday [3 March].

Gao Shangquan, vice minister of the State Commission for Restructuring the Economy, told a group of representatives of Chinese and foreign companies that "China has become an ideal market, attracting investors from all over the world."

Speaking at the "Outlook for Opportunities '93" seminar sponsored by the China International Economic Consultants Inc. and Hill and Knowlton Asia Ltd. to discuss investment opportunities in China, Gao said the country now has 90,791 enterprises involving foreign investment, 48,764 of which were approved to be established last year, exceeding the total number for the previous 13 years.

He said that the amount of foreign investment put into use last year in China—11.1 billion U.S. dollars—exceeded that of foreign loans and credits put together.

Meanwhile, the import and export volume of foreign-funded enterprises increased sharply, accounting for more than 25 percent of the total volume of China's foreign trade in 1992.

China has established economic and trade relations with more than 200 countries and regions worldwide, which provide more sources of foreign investment, Gao said.

He said that nearly all the past restrictions on foreign investment have been removed; as a result, foreign investment in commerce, restaurants, tourism, real estate, warehousing and finance have increased markedly.

"China, a country with a population of 1.1 billion, has great potential," vice deputy minister said. "China's market will gradually be integrated with the international market."

He predicted that the next few years will be a golden age for foreign investment in China.

Concluding his speech, the official quoted a Swedish entrepreneur as saying that China's economy is growing rapidly, and if a foreign investor cannot obtain a place in China in the next five years it will be too late.

Official on Foreign Exchange Control Reform

HK0403063093 Beijing JINGJI CANKAO BAO in
Chinese 16 Feb 93 p 1

[By reporter Wang Yinghui (3769 6601 2547): "Yin Jieyan Says the Foreign Exchange Control Structure Reform Goal Is To Turn Renminbi Into a Convertible Currency"]

[Text] At the National Foreign Exchange Control Bureau Chiefs Conference held on 15 February, Yin Jieyan, director of the State Administration of Exchange Control, pointed out: The goal of reform of the foreign exchange control structure is to turn renminbi into a convertible currency. As to the measures for its implementation, reform will be conducted first on regular items and then on capital items.

Yin said that to turn renminbi into a convertible currency, it is necessary to effect three changes in foreign exchange control: It should be shifted from planned distribution to market distribution with regard to the principal source of foreign exchange; from direct control to indirect regulation and control; and from exclusive management to integration of management and service.

At the meeting, Yin also briefed the participants on the 1992 foreign exchange and foreign debt conditions in China. In 1992, the growth in China's foreign debt balance dropped, the scope of foreign exchange swap markets expanded rapidly, the central foreign exchange income continued to grow, but the growth in foreign exchange balance slowed down. Last year, China's foreign exchange earnings from exports rose by 1.5 percent over the previous year and its nontrade income maintained a good momentum of growth. The situation in

foreign debt repayment was fine and the debt paying rate was still below the universally acknowledged security line.

By the end of last December, swap centers across the country had purchased \$213 million and sold \$189 million in foreign exchange from and to residents. According to statistics, the accumulated amount of foreign exchange transacted or swapped in various foreign exchange swap markets across the country was \$25.105 billion last year, an increase of \$4.654 billion over the previous year.

Yin disclosed: To expedite the process of unifying foreign exchange markets, the state will tighten: Controls over market direction and vigorously, but prudently, develop forward exchange dealings business; carry out combined dealings business among some open markets; and, by trying out spot exchange retention management, break the situation whereby foreign exchange capital cannot flow freely under the quota retention structure. In 1993, the state will exert more efforts on reform of trade and nontrade foreign exchange management and expand the scope of spot exchange retention experiments in the trade field and of nontrade foreign exchange contract management experiments. To boost border trade, it is permissible to calculate prices and settle accounts in renminbi and to carry renminbi into and out of the borders of border trade areas. On the management of financial institutions' foreign exchange business, it is necessary to shift the management focus from the examination and approval of institutions to the regular supervision of foreign exchange business. On the management of use of foreign funds, it is necessary to gradually expand the scope of experiments on controlling the balance of medium- and long-term foreign debts and control the growth in foreign debt balance by managing the balance.

Article on Reforming Investment Structure

OW0503101793 Beijing QIUSHI in Chinese No 3, 1
Feb 93 pp 20-22

[Article by Zhou Daojiong, president of the People's Construction Bank of China, from the "Reform and Opening Up" column: "How To Deepen Reform of the Investment System"]

[Text] The nineties are a decade crucial to China's modernization. To achieve the magnificent goal of quadrupling the national economy, we must, as far as investment is concerned, deepen reform of our investment system, optimize investment structure, and raise investment efficiency, in addition to tapping our financial resources and appropriately increasing overall investment. This is a very important aspect of our endeavor.

Since the beginning of the Seventh Five-Year Plan period, China has begun to pay attention to readjusting its investment structure while striving to maintain a balance between total supply and demand. In addition, it

has duly concentrated efforts to ensure construction of the state's key projects and to strengthen its basic industries. Further, it has cut the number of high-consumption, low-production, low-standard, and duplicated processing industries and raised the proportion of investment in the renewal and renovation of technology and equipment, and in the construction of productive projects. Despite these efforts, our country's investment structure is still far from rational. First, our investment in basic industry and infrastructure is gravely inadequate and unable to meet the needs of economic restructuring. This problem has been manifested primarily in the continued decline in the proportion of investment in water conservancy projects for agriculture; lower investment in railways, communications, and posts and telecommunications; and more investment in manufacturing and less in mining. Second, our investment structure tends to follow the same pattern regardless of regional characteristics. Thus, investment in resources development was not very high in resources zones, nor was investment in processing industries large in processing zones. In contrast, zones which combine resources development and processing received far more investment than the other two. Third, there is an increased tendency to use investment in technological transformation for other purposes. These phenomena have hampered the progress of industrial restructuring and greatly affected the improvement of investment returns.

The irrational investment system is an important cause of our irrational investment structure. As far as investment in fixed assets is concerned, our country used to follow a highly centralized, planned system under which the state took funds from the treasury and gave them to construction units, which would use the funds without having to pay them back. Although reform has expanded the investment decision-making power of local authorities and enterprises, the investment structure still has serious flaws. These flaws are reflected mainly in the following: The failure to make proper investment on the part of local governments, which, under the influence of the old financial, tax, and price structures, and spurred by profit-seeking motives, were fond of investing in general industries and ignored the development of basic sectors; the failure of enterprises to truly establish themselves as investors, which prevents them from becoming market players; strong administrative color in investment planning and management, which is incompatible with the development of a socialist market economy; failure to establish a market regulatory mechanism; lack of long-term macroeconomic regulation of investment through the extension of bank credit; price distortion, which has resulted in interests different from those of the state's industrial policy regarding the direction of investment; and weak legislation on investment laws. The fundamental way to resolve these problems is to make further efforts to reform the investment system, gradually strengthen macroeconomic regulation of investment, standardize local government investment action, establish the investment role of enterprises, improve the

long-term credit functions of banks, make planning and management more scientific, guide investment by means of market mechanisms, optimize investment structure, and improve investment returns.

1. It is necessary to push forward reform of the government's administrative system and standardize the conduct of local government's main investment bodies. Central government should shoulder the responsibility for macroeconomic management, while the principal functions of local governments at all levels are to implement social management and push forward social development, particularly to create conditions for economic development. It is necessary to encourage, through reform, governments at various levels, especially local governments, not to engage themselves in ordinary industrial investments, but to promote development in basic fields through direct investment or guided investment, as well as various other forms aimed at creating basic conditions for the main business investment bodies. Toward this end, we must strictly draw a line between utilizing financial investment and the modes of utilization.

Besides being used in essential nonproductive construction, financial investment may generally be divided into two categories: One covers social infrastructure which is incapable of recovery, including ordinary highways, such as those that are not in a position to directly collect tolls from passing vehicles; water conservancy projects, including the harnessing of rivers, lakes and the sea, and flood-prevention installations and flood-control dikes and dams (but excluding such profitable projects as hydropower stations, water supply, and aquatic culture), as well as development of poverty-stricken areas. The other category covers social infrastructure and the basic departments that are in short supply to a serious degree among basic industries. For the first category of investment projects, we should adopt the method of fund allocation called free utilization; and for the second category, we should adopt the equity participation.

2. It is necessary to deepen reform of the business system, and to establish the prominent position of business investments. It is possible to basically promote an improvement in investment structure, and enhance investment efficiency by deepening reform in enterprises, by practically establishing the prominent position of business investment, and by making it possible for enterprises to have the power to make their own investment decisions and to be able to use their own self-restraint. To experiment at selected points for implementing a shareholding system among enterprises is an effective method. New enterprises and state investments (wholly or partly) may be established by means of participating in or taking control of shares. Efforts should be made to have more joint investment by state and enterprises, as well as state and localities. We should carry out construction of key projects with state funds guiding social funds, as well as for projects that are badly needed by society. At the same time, we must encourage localities, departments and

enterprises to set up industrial projects and product lines that are supported by the state through a shareholding system.

3. It is necessary to bring into full play the regulating role of market mechanisms in various chains of investments. Principally, we should bring into play the capital market's regulating role in investment activity. This mainly refers to guidance provided by the long-term capital market to investment activities. The long-term capital market includes fund operating activities, such as the medium and long term credit business of banks, as well as the issue and circulation of bonds of over one-year duration. The rate of flow of this new economic force is capable of providing basic conditions for bringing into play the regulating role of capital markets over investments, and making it possible for enterprises to raise long-term funds from society. Capital markets exercise firm economic restrictions on the borrower, which means that on condition of guaranteeing due repayment of funds, one can have a free hand to raise funds from the long-term capital market. This will then strengthen the mechanism for utilizing funds with repayment, which is conducive to making the main investment bodies rationally and effectively arrange for raising and utilizing funds.

We should bring into play the regulatory role of the commodity market in investment. The commodity market can be further divided into an end-user commodity market and an investment goods (such as steel, timber, cement, machinery and electrical equipment) market. Where the market mechanism is relatively sound and the price signal is more accurate, government and enterprise investors are able to decide where, on the basis of dynamic changes and the trend of long-term development of the end-user commodity market, they are going to invest and to what extent. Investment activities will take place only if the investment goods market is capable of providing a variety of qualified and satisfactory investment goods, and the supply of investment goods affects the fulfillment of investment activities. Therefore, government and enterprise investors should decide, through overall planning and arrangement, and on the basis of a comprehensive analysis of the end-user commodity market and the investment goods market, which sectors of business they are going to invest in and to what economic extent.

We should bring into play the regulatory role of the construction industry market in investment. The construction industry includes prospecting and designing units; building, installation, and construction enterprises; and enterprises engaged in comprehensive urban development. We should make good use of those reform measures which have proved successful in practice, such as opening bids for construction design, giving more decision-making power to construction and installation enterprises, and comprehensively developing urban areas. We should further improve and perfect these reform measures. This will help construction and design units put more emphasis on economic returns, improve

construction quality, cut costs, and speed up the pace of construction. From now on, when a construction project is not confined to a specific region out of resource, communications, or other considerations, we should, in principle, select construction locations through bidding. All construction projects should go through a process of inviting and tendering bids to ensure the selection of the best designs, engineering, equipment, and construction and engineering management.

4. Investment planning and management should reflect and bring into play the macroeconomic regulatory role of our industrial policy. Industrial policy, a long-term, consistent, and strategically important macroeconomic policy, is crucial to rationalizing a nation's industrial structure and optimizing its investment structure. Ways to strengthen the function of a country's industrial policy to regulate and guide investment are: First, we should integrate strict control and flexible guidance over investment planning. As far as key projects are concerned, which are to develop ahead of other projects under our industrial policy, we should formulate mandatory plans and adopt effective measures to guarantee their implementation. With regard to investments in nonkey industries and ordinary projects in key industries, we should direct them with guidance plans and bring them onto the track of our industrial policy by economic and legal means. Second, the state should publish investment information regularly to guide the movement of investors' capital. That is, from our analysis of the current conditions and dynamic changes in domestic and foreign commodity, technology, and financial markets, we should publish selected key industries and products as the basis for investors to make decisions. Third, we should scientifically and comprehensively use finance, credit, price, and other economic policy measures to regulate the interests of investors at different levels in accordance with our industrial policy. We should adopt favorable financial and credit measures to develop those industries and products which have been given priority by the state. We should use financial, credit, price, and other policy measures to restrict the development of certain industries, wherever necessary.

5. It is necessary to strengthen the building of a legal system for investment. The establishment of an investment legal system is not only an important part of deepening the reform of China's investment structure, but also a basic guarantee which will propel reform of China's investment structure. The purpose of establishing a legal system for investment activities is to standardize the investment behavior of the main investment bodies, and to establish the procedures for investment management. Investment laws and regulations should clearly define the economic rights and responsibilities for the risks involved, by investment decision-making departments at various levels and by the main investment bodies, as well as the powers and the responsibilities of law enforcement departments. Presently, it is necessary to formulate and introduce relevant laws and regulations as soon as possible. One of them is the

"Investment Law," which is the overall law determining the work and scope of various links of investment management, as well as the economic rights and responsibilities for risks involved of the relevant quarters, aimed at establishing, through a legal system, a rational investment mechanism responsible for investment behavior. The second is the "Company Law," which is to determine the legal procedure of the various links of investment policymaking, as well as the powers, obligations and responsibilities of the policymaking departments, aimed at changing the current situation in which investment is detached from responsibility. The third is the "Securities Law" and the related "Stock Exchange Law," "Bond Issuance Law," and "Stocks Issuance Law," which determine the status, powers and responsibilities of various participants in the stock market, so as to meet the needs of fund raising in the stock markets.

6. It is necessary to formulate a complete set of reform measures. To smoothly carry out reform of the investment structure and to achieve results also call for a whole set of financial reform measures.

The Construction Bank is a specialized bank for managing fixed asset investments. It is necessary to further improve the function of long-term credit banks with the Construction Bank as the main body, and give full play to their role in our country's investment management. For this purpose, we must determine the Construction Bank's stable source of funds for its long-term credit facilities in order to ensure fund supply for key construction projects, and bring into play the Construction Bank's role in appraising and deciding on projects. Assessment and loan decision-making for credit arrangements in respect of medium and large projects may be carefully carried out by the bank according to state industrial policy, and with reference to the principled views of the State Planning Commission. At the same time, we must further strengthen financial management and the financial supervisory function of the Construction Bank in investment management, which entails participating in checking budgetary estimates, budgeting, and final accounts of projects to guarantee rational utilization of funds by various links in investment and construction, and to ensure strict economy in using construction funds.

One of the important causes of the irrational investment structure is the irrational price system. Driven by the profit mechanism, these kinds of irrational price indicator are bound to mislead investment and production. In the course of future reform, we should seize favorable opportunities to quicken the pace of price reform and to streamline the price system. We must pay special attention to eliminating price distortion in the field of basic industries and see that this is gradually rationalized.

It is necessary to selectively promote the commercialization of infrastructure, and draw a line between the profitmaking and nonprofitmaking nature of our basic

industries. We should actively push forward the commercialization of such infrastructure as can be commercialized. We should reform the basic departments' management systems on this basis. The fundamental principle of reform is to separate government administration from enterprises, optimize the introduction of a competitive market mechanism, and gradually push some industries toward the market so that they will practice business management. It is necessary to implement different organizational systems and governmental supervision methods in accordance with the different types of industry (differentiating by style of management).

In order to promote the development of infrastructure and the basic industries, it is also necessary to formulate a corresponding tax policy and beef up its weaker links depending on the extent of shortage, the profitability and the priority-order of development of industries and products.

'News Analysis' on 1992 Industrial Efficiency

OW0503015493 Beijing XINHUA Domestic Service in Chinese 0738 GMT 1 Mar 93

["News Analysis" by reporter Zhang Jinsheng (1728 6930 0524)]

[Text] Beijing, 1 Mar (XINHUA)—The State Statistical Bureau "makes an overall evaluation" of China's industrial economy of 1992 today, and one noticeable problem that especially deserves our close attention is the impressive "growth and efficiency" of our industrial economy.

Although economic efficiency of industrial production picked up steadily last year as a result of high-speed growth, problems that severely hampered the smooth operation of the industrial economy, such as massive stockpiles and huge corporate red ink, were relieved somewhat; it may be said that "there was more good news than bad." However, an analysis of the statistics tells us that we must not be "overjoyed." Last year the composite index of industrial efficiency increased 5.6 points over the year before, and 2.88 points—or over 50 percent—was a result of improved labor productivity. Economists point out: Improvement in labor productivity reflects efficiency gained from an expanded production scale; therefore, it is closely related to the production growth rate. Nevertheless, improvements in four indexes that reflect "solid" economic efficiency—that is, the profit and tax rate in relation to industrial investments, the profit rate on costs, the turnover period for working funds, and the product sales rate—were responsible for only 2.72 points in the composite index increase, less than 50 percent. One conclusion of this is that the improvement in industrial efficiency in 1992 is mainly the result of expanded production scales and a high growth rate.

In an analysis of light and heavy industrial efficiency, statistics show that heavy industry efficiency is much

higher than light industry: The 1992 composite index of heavy industry's economic efficiency was 91.61 points, an increase of 8.54 points over the year before; that of light industry was 86.87 points, up 1.03 points. The analysis of the State Statistical Bureau shows: Of the combined profits of all the profit-making enterprises, heavy industry accounts for 65 percent; 30.5 percent of enterprises in the sector were in the red, far lower than light industry's 37.8 percent. Meanwhile, economic indexes that reflect the operations and performance of heavy industrial enterprises—product sales rate, the profit rate on costs, labor productivity, the turnover period for working funds, and the net industrial output value rate—are all better than those of light industrial enterprises. This shows that the brisk demands of raw and semifinished materials and products used for investment purposes had a great "pulling" effect. Therefore, conclusion two is: The better economic efficiency of heavy industry is a result of the rapid expansion of investments in fixed assets.

Looking back at the industrial economy in 1992, authoritative persons in economic circles here pointed out that there has been a drastic slide in economic efficiency in the previous three years, and therefore, last year's increase in economic efficiency was from a low base point and the ascent undeniably suggests a recovery. Meanwhile, we should be soberly aware that as far as overall industrial development is concerned, China's industrial efficiency remains rather low. An "extensive style of management" in industrial production is still a prominent problem; there is, more likely than not, a major connection between this practice and the rather huge losses among industrial enterprises. Of the total losses of 1992, large and medium enterprises' losses account for 64 percent; and enterprises owned by the whole people, 80 percent. Therefore, conclusion three is: The slow progress in the transformation of operating mechanisms of large and medium enterprises owned by the whole people is the major cause of low industrial efficiency.

Although the economy is still going strong in 1993, we are faced with a severe challenge in improving industrial efficiency. Relevant competent departments reminded people that improvement of economic efficiency should be accomplished through deepening reform, accelerating the transformation of operating mechanisms in enterprises, optimizing industrial and product structures, and improving quality. Localities and departments, instead of taking a wait-and-see attitude, must do solid work; there is no other way. We look forward to making "an overall evaluation" of 1993, and we hope that the statistics on industrial efficiency statistics then will allow us to be more optimistic.

Minister on Streamlining Business Administration

OW0403113193 Beijing XINHUA in English 1050 GMT 4 Mar 93

[Text] Beijing, March 4 (XINHUA)—Chinese Minister of Commerce Hu Ping said at a conference held here

today that the ministry-affiliated business corporations should become independent economic entities without relying on the ministry's administrative strength.

At present, state departments are quickening their step in the drive to transform government functions and streamline administrative setups, resulting in the establishment of a large number of newly-registered firms.

Some 20 corporations, based on former administrative bureaus under the ministry, were founded in recent years, which added new vigor to the market economy.

The minister called on the corporations to participate in market competition with their own force and separate themselves completely from their ties with administration. Otherwise, they will hamper the development of the state's market economy, the minister stressed.

Beijing To Lift Price Control Over Petroleum

OW0403110693 Beijing XINHUA in English 0901
GMT 4 Mar 93

[Text] Beijing, March 4 (XINHUA)—China encourages foreigners to invest in its petroleum transportation in view of its increasingly active petroleum import and export business.

An official from the Ministry of Communications said today as China will lift price control over petroleum this year and gradually adopt the international pricing system, China's petroleum import and export business is bound to become more active, with a rapid increase in transport volume.

He said that China's export of petroleum to Japan is likely to go up in the foreseeable future, increasing the work of the maritime transportation enterprises.

Japan is China's major petroleum customer.

According to incomplete statistics, China's petroleum exports to Japan rose to 14 million tons last year from 500,000 tons in 1978. The annual average increase rate is 28 percent.

He said that as petroleum and chemical enterprises have to obtain petroleum by themselves, China's petroleum import volume will increase, and more petroleum will go through Dalian, Qingdao and Qinhuangdao ports.

Also, he said, more and more petrochemical enterprises are being set up in the coastal provinces. These enterprises will place an ever greater pressure on the domestic shipping industry.

He said that China's shipping capacity lags far behind the demand. Many enterprises are forced to hire foreign shippers. Thus, he said, investment in China's petroleum transportation shows promise for the future.

Economist Explains Importance of Market Economy

HK0403123593 Beijing JINGJI RIBAO in Chinese
19 Feb 93 p 7

[Interview with Liu Guoguang, vice president of the Chinese Academy of Social Sciences, by staff reporter Gao Shangang (7559 0810 4993): "It Is Necessary To Accurately Interpret Market Economy"]

[Text] After the 14th party congress report clearly set the task of establishing the socialist market economy, a fervent campaign of studying the basic knowledge of market economy unfolded across the country. Some readers wrote to us, saying that they are still not very clear about a number of questions. Recently, this reporter, taking with him the questions raised by the readers, interviewed Comrade Liu Guoguang, vice president of the Chinese Academy of Social Sciences.

[Gao] Some comrades asked: Since we already have the concept of a socialist commodity economy, what is the point of adopting the notion of market economy now? I have noticed that these days, some articles tend to stress the difference between the two notions and some claim that socialist commodity economy is equal to socialist market economy. What is your opinion on this issue?

[Liu] The establishment of a socialist planned commodity economy and that of a socialist market economy were two breakthroughs in socialist economic theory and a reflection of the deepening of our party's understanding. The Third Plenary Session of the 12th CPC Central Committee decided to set up a planned commodity economy, thus offering a solution to the problem that had been repeatedly debated for over 100 years, that is, whether or not a commodity economy could be integrated with public ownership. However, it inevitably has certain historical restrictions, which finds prominent expression in the fact that it failed to answer the question which of planning and market is the basic mode and principal means of resource disposition. It is for this reason that theorists never stopped debating over which should carry more weight, "planned" or "commodity economy." Comrade Xiaoping's talks in southern China last year and the 14th party congress unequivocally affirmed socialist market economy and designated it as the target model for economic reform, thus providing an answer to the question regarding the basic mode and principal means of resource disposition in China's socialist economy.

Commodity economy and market economy are interrelated, and yet they are not the same. I would like to analyze the issue from the following angles.

First, by definition, commodity economy is relative to natural economy and product economy and is concerned with whether or not the action of exchange in men's social and economic activities has a commodity nature. But the antithesis of market economy is planned economy and it is in terms of the resource disposition

mode. Here, resource does not refer to unexploited natural resources, but to the economic resources including manpower, materials, money, and land. Social-economic resources are always limited in amount, but social demand on resources is multi-faceted and unlimited. What is called resource disposition refers to how the society disposes the limited resources to the many domains, departments, and the production of products and labor services that are needed by the society and makes sure that the disposition is most effective or relatively effective, produces optimum returns, and satisfies social demand to the maximum extent. In modern socialized production, resource disposition normally has two modes, through market or through planning. If resource disposition is done mainly through planning, it is called planned economy; if the principal mode of resources disposition is market, it is called market economy. In terms of logic, the notion of commodity economy is concerned more with the abstract and essential content of economy, whereas market economy is concerned more with the concrete and phenomenal form of economy.

Second, in historical terms, commodity economy has a long history and started budding toward the end of the primitive society. After existing in various social forms, it evolved to a high sophistication in modern society. But market economy was not found in all stages of commodity economy. Exchange of commodities naturally necessitates market, but it is not market economy itself. Far back in ancient China, the Qin and Han Dynasties boasted such famous commercial cities as Changan, Luoyang, and Zibo. They could not do without market, but one cannot say market economy was formed then. The local fairs outside the castles in foreign countries in ancient times were also markets for commodity exchange, but it could not be called market economy either. The formation of market requires certain conditions, namely, societywide free circulation of commodities and production elements and the disposition of resources to the projects that are so combined as to bring optimum returns. Moreover, it demands removal of feudal separatist rule and various kinds of artificial barriers blocking the free flow of resources.

Third, the situation in China since the beginning of the reform and opening up shows that wherever market economy was developed at an early stage, the economy displayed full vitality; wherever the economy was dominated by planning, the economy showed a lack of vitality. An important reason for the dramatic changes in the Soviet Union and East Europe was that the traditional mode of planned resource disposition had never been changed, which became an obstacle to the economic development and the improvement on livelihood. Our party, through practice, realized the necessity and inevitability of market economy for socialism and constantly deepened the understanding on the basis of practice. Before the Third Plenary Session of the 12th CPC Central Committee, the commodity economy was not developed enough and the role of market was not given full play in coastal and inland areas. Therefore, it was impossible for the plenary session to put forward the notion of socialist market economy in an unambiguous way.

[Gao] Comrade Xiaoping said during his southern China tour last year: "Planning and market are both economic means." The 14th party congress report designated market economy as the target model of economic restructuring. In your opinion, how is the "market" as an economic means related to the "market economy" as the target model of reform?

[Liu] I have also heard some similar questions, such as: Since both planning and market are means of economic regulation and slight dominance of either planning or market has nothing to do with social system, why should we not integrate planning with market while preserving the system of planned economy and have to integrate them under the system of market economy?

It should be understood that market and market economy, like planning and planned economy, are different concepts. Market and planning are both means of resource disposition, whereas market economy or planned economy defines which of the market and planning is the principal means of resource disposition in a given social form. Market, as an economic means, does not have the hallmark of a social system. These economic means can either be principal or secondary in a given social form. Under the system of planned economy, it is optional. However, an important point is that if the means of market is employed in the system of planned economy, it will have a limited role to play and will never function as a principal economic means. In other words, it will be in a subordinate or secondary place, which was more or less the case under the system of planned economy before the reform and in the initial stage of the reform in China. In a market economic system, however, the status and role of the market means are remarkably different. It must occupy the principal and foundational position in the disposition of resources, otherwise it cannot be defined as market economy. In the market economic system, the means of planned regulation and control continues to be of use, but it is no longer in the principal and foundational position and its role must be established under the precondition that the means of market is fully exploited. The 14th party congress designated socialist market economy as the target model of China's economic restructuring. It not only made it clear that we must employ the means of market but, more importantly, emphasized the need to use market as the basic mode of resource disposition.

[Gao] Do you believe that in the context of market economic system, stressing the role of macroeconomic regulation and control may lead to a reversal to the planned economic system?

[Liu] I am afraid this issue cannot be explained in a few words. We may approach it from the following angles.

First of all, market economy and macroeconomic regulation and control, the latter of which includes the means of planning, are by no means mutually exclusive. This is

because market regulation itself also has many weaknesses, making necessary the guidance and remedial measures from the government through interference and macroeconomic regulation and control. Macroeconomic regulation and control is the function of all modern states under the market system, not China's invention. The planned economic system did play a role that should not be underestimated under the historical conditions in the early days of New China. But, owing to such objective factors as the upgrading of economic development and the sophistication of the economic structure, planned economy became more and more outmoded and a shift to the market economy was imperative. However, it is absolutely impossible to go without planning or regulation and control in the course of transformation and after the establishment of the new system.

Second, the old, traditional methods should not be repeated when it comes to the means of planning and other means of macroeconomic regulation and control that are to be employed in the system of market economy. Macroeconomic regulation and control mainly serves the purpose of solving problems that cannot be solved by market economy. Plans should not be just mandatory ones, but also include those with a guiding nature; they should no longer take care of everything, but leave microeconomic management to enterprises themselves; they should no longer exercise management mainly by setting targets and, in the case of target-oriented management, more attention should be given to the use of value targets in management. Macroeconomic regulation and control is mainly aimed at, by using financial, monetary, foreign exchange, and price levers, achieving short-term general balance of total demand and total supply and short-term normal economic growth and, in the meantime, guiding medium- and long-term resource disposition through guidance planning and formulating industrial policies.

Third, China's market economy is not yet developed and we have yet to master the means of macroeconomic regulation and control that matches market economy. Under the dual system in China during the period of transition toward market economy, we should use as much market regulation and indirect control as possible. But if we use nothing but indirect means (like the predominant use of interest rates to regulate economy in the West), the effect is also very limited. Therefore, it is necessary to retain some direct macroeconomic regulation and control and mandatory plans, such as credit quotas.

Fourth, in a socialist country like China, it is relatively easy to strengthen regulation. This is one manifestation of the superiority of our system and is also a safeguard against big troubles in our reform. However, we must have our eyes on the reform and take as the starting point of our work the transition to the new system and the reduction of the old means of regulation and control. If our understanding stays at the previous level and the old

system is reinforced, not weakened, it is not entirely impossible that we may return to the traditional system. We should watch out for it.

Article on Goals of Economic Reforms

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[Text] General Secretary Jiang Zemin pointed out in his report to the 14th CPC National Congress: "Setting the right objective for the reform of China's economic structure is vital to the success of the drive for socialist modernization." Comrade Deng Xiaoping pointed out in his important remarks during his south China inspection in early 1992 that the planned economy is not equal to socialism, because capitalism also has planning; that the market economy is not equal to capitalism, because socialism also has markets; that both types of economies are economic means; and that one does not essentially distinguish between socialism and capitalism by the amount of planning and the number of markets. This brilliant exposition fundamentally broke away from the traditional concept regarding the market economy and paved the way for a new major breakthrough in our ideological and theoretical understanding. The 14th CPC National Congress report clearly set forth the goal of establishing a socialist market economy; this was a major decision of great pragmatic significance and of far-reaching historical significance. Determining socialist economy as market economy will not only significantly enrich the theory of scientific socialism but also greatly promote the practical process of socialist reform.

The Major Development of the Marxist Theory

Marx and Engels did not use the term "market economy" in their works. Except in some cases, Lenin rarely mentioned "market economy" in his works. Lenin, however, treated the term "market economy" in the same way as commodity economy, as a synonym for capitalism. They envisaged building socialism on the basis of highly developed productive forces and they wanted to practice a highly centralized mode of planned product economy, without commodities and markets. For a long time in the past, there prevailed a view that socialism could only be a planned economy and that commodity economy and planned economy, like fire and water, were incompatible. A major breakthrough was made in our country's theory of economies in the early days of reform with the adoption of the "Decision Regarding Several Historical Problems of the Party Since the Founding of the Republic," which said that commodity production

and commodity exchanges did exist in socialism. This made room for commodity production and commodity exchanges in socialist economy, which was a historical progress, considering that traditional concepts had equated commodity with capitalism. But during those days, there was only a recognition of the existence of commodity production and commodity exchange; there had been a failure to face up to and recognize the fact that socialist economy was commodity economy. The theory, compared with the previous one, certainly could be seen as a breakthrough, but it still failed to fall into place. There were calls to practice a planned economy with the supplement of market regulation at the 12th CPC National Congress. At the Third Plenary Session of the 12th CPC Central Committee, there were people who further claimed that socialist economy was a planned commodity economy based on the public ownership system, thus recognizing the compatibility between a commodity economy and a planned economy. This was a major breakthrough in our party's economic theory and a major achievement in our country's theoretical reform. The report to the party's 13th national congress said that the system of planned commodity economy should be one that inherently unified planning and market. The assertion, compared to the concept that merely recognized the existence of commodity production and commodity exchanges without recognizing the existence of the commodity economy, signified a major progression. People still failed to reach a logical conclusion on the existence of a market economy in socialism, notwithstanding the calls for practicing a planned commodity economy and for practicing a planned economy with market regulation as a supplement. Recognizing the existence of market, market mechanisms, and market regulations in socialism without recognizing the existence of market economy gave rise to confused thinking among the people on the operation of the economy: They were not sure whether we are practicing an economic system that stresses planning or market. All agreed that there was a need to integrate planning and market. While some stressed the dominant role of planning with market as a supplement, others emphasized the contrary. The concept of a planned commodity economy did not help diffuse this controversy. The concept of a commodity economy is different from that of a natural economy and product economy. A commodity economy emphasizes whether the mode of commodity exchange of equal value will be adopted regarding the act of exchange in the division of labor in society. The concept of a market economy is different from that of a planned economy in that a market economy stresses ways to deploy resources. Resources deployment is an important issue in economic science. There is a limit to a country's resources, including capital, manpower, land, and materials. How to rationally deploy limited resources is a matter requiring serious thought in the course of socialized mass production. There are two ways to deploy resources: One is to deploy the resources through supply and demand—price changes; that is to say, resource deployment according to the law of prices and through market. The other way to deploy resources is for government to use

administrative orders and target plans. In the past, we harbored a "market phobia" and considered that planned economy was the special characteristic and the true nature of socialism and that market economy was the true nature and special characteristic of capitalism. This had the effect of binding our hands and feet and, as a consequence, we dared not call for using market economy to deploy resources.

Reform efforts over the past 14 years have injected new life into socialist China, increased industrial and agricultural production, led to an ample supply of commodities, and significantly boosted our country's economic construction, living standards, and overall strength. Furthermore, they have invigorated the economy as a whole and produced universally acknowledged achievements. These developments demonstrate that the new economic system that we have gradually established is compatible with the current levels of productive forces in our country and that it is entirely correct. Why have village and town enterprises developed so rapidly as to occupy a place in the national economy? The reason is that economic restructuring has generated market demand for raw and semifinished materials, finished products, funds, technology, and information. When they encounter production and management problems, these enterprises turn to the marketplace, instead of their mayors, for solutions. Why have coastal areas demonstrated the greatest vitality and fastest development? The most fundamental reason is the significant role played by the market mechanisms there; these areas circulate funds, import technology, manage enterprises, and hire workers in accordance with the market orientation. This fact demonstrates that the market economy is an enormous driving force for economic development.

To be sure, we should correctly assess the planned economy. Internationally speaking, the planned economy—as an important means of regulation—has played an excellent regulatory role under certain conditions and during certain periods. During the thirties, the Soviet Union practiced economic planning, concentrated on national defense construction to counter the imperialist countries, and converted its status as a backward agricultural country into an advanced industrial power. During the early years of its founding, China launched 156 construction projects under the planned economic system and achieved important results in implementing a planned economy. These facts demonstrate that under special historic conditions or when necessary, a socialist country may concentrate its manpower, materiel, and financial resources on launching certain major construction projects through the regulatory means of planning, to serve the long-term interests of its people. However, the role of market mechanisms has become more prominent as we make rapid strides in modern economic production techniques, continue to widen our economic scale, experience an increasingly complex economic structure, steadily improve the quality of life, experience changing demands, update our product variety, and engage in increasingly fierce competition for scientific

and technological supremacy. Because the world economy as a whole is becoming a single global market, we will have to integrate our economy into the world economy if we are to compete in the international market. Therefore, we should develop a market economy whether we want to pursue domestic development or compete internationally; we should allow the market to play a fundamental role in deploying resources under the macroeconomic control of our socialist country.

The call for developing a socialist market economy represents a new breakthrough in thinking that socialism is still characterized by the production and exchange of commodities, and that it is synonymous with the planned commodity economy. In terms of commodity economic theory, the call for developing a socialist market economy has a complete and sound theoretical basis. The theory of building a socialist market economy represents yet another major theoretical breakthrough in and a significant improvement upon the theories governing the development of a socialist commodity economy and the primary stage of socialism. The advancement of this theory has further enriched the theory of building socialism with Chinese characteristics. This will certainly promote the massive development of socialist productive forces.

The Differences and Similarities Between the Two Systems

As a common creation of human society, the market economy represents, in essence, a historical process of socioeconomic development and an achievement of civilization belonging to all members of modern society. It can be found in both socialist countries and capitalist countries; as a means for regulating the economy, it can serve socialism as well as capitalism.

Socialist and capitalist market economies share some common points.

As universality resides in particularity, generality resides in individuality. If the special attributes of social systems are taken of a market economy, either a socialist or capitalist one, then the generality of the market economy becomes their common points. A market economy will not lose its generality because of differences in political systems and ideologies among nations. The common points of a socialist market economy and a capitalist one are manifested mainly by the basic factors that constitute the framework of a market economy and make it function normally.

1. Let the market allocate resources. A market mechanism is a basic operational mechanism for facilitating the flow of production factors and for most appropriately allocating resources. All market activity is either directly or indirectly subject to market relationships—that is, prices are decided by market supply and demand; prices fully reflect the degree of scarcity of a given resource or product. Likewise, readjustment and changes in the distribution of resources in a socialist setting must also follow changes in market prices. Any improper

artificial interference in prices will certainly distort the market and harm the efficiency of economic operations.

2. Make the enterprise the principal player. As the principal players of the market, all enterprises (including those that must be put under state control) that participate in market competition must have all the powers over commodity production and operations—as well as independent economic interests and a strong desire to realize them—that belong to an independent player of the market. Only then will it be able to compete with other players in the market, set its eyes on the marketplace, and, in accordance with market signals, take actions and readjust production and operation strategies as a player whose chief objective is maximum profits and that is out to promote its own independent economic interests through exchanges of commodities and currencies. In market economy competition, enterprises should act like a player of the market and independently carry out production and operations.

3. Make enterprise property rights transferable. Means of production in the possession of a state-owned enterprise may be transferred or sold like commodities; they can be used to pay a debt when the enterprise loses money or goes bankrupt. This will make it possible for means of production to flow to sectors or enterprises with higher efficiency and will produce greater contributions to the development of social productive forces. If means of production were not regarded as a commodity, then every member of society would have a claim over the use of this portion of resources and no one would take responsibility for the consequences of exercising such a right. The inevitable outcome would be either over or under use of resources. When the means of production of an enterprise are regarded as commodities, it helps clarify the relationship between an enterprise's property rights and earnings on one hand and market risk on the other. Enterprises then would have to decide, on the basis of earnings from its assets and the market, whether to expand its means of production to increase its earnings or cut back on the means of production to avoid losses.

4. Impose indirect macrocontrol. In a market economy, government departments do not directly interfere with the specifics of production and operation of the enterprises. Instead, the departments guide, regulate, and specify the enterprises' activities in production and operation. They do this through directives, forecasts, and economic, technological, and industrial policies that are primarily based on economic levers and financial, monetary, and regional policies, in accordance with the requirements of predetermined goals in social and economic development; and through indirect macrocontrol to guarantee and achieve the healthy status of a market economy.

5. Refine the market structure. In a market economy, the market should be a complete structure. To improve market operations and lower transaction costs, it is imperative to have not only markets for consumer and

capital goods but also those for factors of production—such as finance, properties, labor, and technological information—to render the system a complete one. It is imperative to let the market mechanism regulate the input and transfer of production factors. Their interaction will enable the market mechanism to turn into a combined force that will in turn bring in line the goals of material allocation in the whole society and improve overall efficiency.

6. Standardize the transaction process. During exchanges in the market, the status and opportunities of all the main players in market transactions are equal. They neither have administrative and religious privileges nor rely on authority and position to enjoy some kind of class difference. Competition between the main players in the market is founded on the principle of cost and efficiency, which is based on the law of value. They rely on their operating strength and comparative advantage to engage in competition. Bounded by the principle of equal opportunity and fair transaction, they actively compete in the market.

7. Administer the market according to law. To maintain order in the market, it is imperative to standardize and constrain the conduct of enterprise and government through a legal system and a supervisory structure. To prevent monopolization in the market, it is imperative to enact a corresponding antimonopoly law. Regarding enterprises that suffer great losses and whose debts exceed their assets, it is possible to deal with them through the bankruptcy law. The activities of all enterprises operating in the market must strictly abide by the legal structure stipulated by the state. Administrative departments of the government must also manage the various economic activities in the market according to the corresponding legal system. If management personnel fail to adhere to market standards, they should also be prosecuted according to law. The operation of the entire market economy is completely built upon the foundation of the legal system. Order in the market is guaranteed by the relevant articles in the law and sound and scientific legal structure.

Next, there are differences between the socialist market economy and the capitalist market economy.

When a market economy blends with different social systems, it will form specific economic patterns. A market economy integrated with a specific social system determined by its special nature has its special features. The socialist market economy as a entirety is produced by the integration of the basic socialist system with a market economy. The capitalist market economy as an entirety is generated by the combination of the basic capitalist system with a market economy. Because the social systems are different, it has determined the following differences between the socialist market economy and the capitalist market economy:

1. Although there are individual enterprises, private enterprises, and foreign-funded export-oriented enterprises in the socialist market economy, the dominant factor of market behavior is public ownership. This means state-owned enterprises, collective enterprises, and the public sector of the economy are playing the dominant role. In essence, the operation of a market economy is a process for enhancing and expanding the strength of the economy's public sector. In the capitalist market economy, the dominant factor of market behavior is private enterprises. Although there are a certain number of state-owned enterprises in the capitalist market economy, such enterprises are essentially private enterprises because capitalist countries are the general representatives of capitalists. Therefore, the operation of the capitalist market economy essentially enhances and enlarges the strength of the economy's private sector.

2. In the socialist market economy, enterprises, restricted because of socialist production, try to satisfy to the greatest possible extent the people's increasing material and cultural needs. Socialist state-owned enterprises seek to preserve and increase the value of the state assets on the basis of obtaining the best possible profits for themselves. In the capitalist market economy, an enterprise, manipulated by private ownership, makes the attainment of profits its only purpose of production.

3. In the socialist market economy, the form of distribution of essential production elements exists in the distribution of individual consumer goods, and the exchange at equal value and equal amount of work are integrated. Thus, the market mechanism plays a role in distribution; however, determined by public ownership, labor becomes the most common basis for income distribution and is the foundation for realizing the integration of the quest for personal interests with common prosperity for the entire society. This requires that we allow the principle of distribution according to work to play the dominant role and other forms of distribution to play the secondary role. In the capitalist market economy, dictated by private ownership, capitalists possess the fruits of workers' surplus labor without having to pay compensation. For capitalists, it is distribution according to wages; for workers, it is distribution according to the value of labor.

4. In the socialist market economy, a part of the people and regions is allowed to become well-off first through reliance on honest labor and other appropriate means such as skillful management; however, the nature of socialism requires that those who get rich first should help those who are not well-off, so as to gradually achieve common prosperity. In the capitalist market economy, private property, dictated by private ownership, is sacred and inviolable. Decided by the exploitation system, the capitalist market economy brings about the polarization of the rich and the poor. The gap continues expanding. The rich become millionaires while the poor

live below the poverty line. In the United States, the most developed capitalist country, there are 1 million homeless people.

5. In the socialist market economy, contradictions and interest discrepancies exist among the state, enterprises, and workers. Because the system of public ownership determines that the interests of the three are identical, the state is the general representative of the people, enterprises are owned by the public, and the working people are the masters of the state and the enterprises. Therefore, although interest discrepancies and contradictions exist among them, from a long-term point of view, their fundamental interests are identical. In the capitalist market economy, the system of private ownership determines that the interests of workers and capitalists are diametrically opposed to one another. Moreover, private enterprises are confronted with a sharp conflict—a big fish swallowing up the small fish.

6. Under a socialist market economy, the socialist state is the general representative of the working people; therefore, the planned objectives inevitably reflect the aspirations and demands of public ownership. The principal contradiction in the society during the initial stage of socialism in our country is the contradiction between backward production of the society and the people's daily increasing social demand. To resolve the contradiction, it is necessary to accelerate the development of productive forces. This is consistent with the economic plan formulated by the socialist state. The principal contradiction of society will promote the implementation of the plan and the attainment of the objectives. Under a capitalist market economy, the capitalist state is the general representative of the capitalists; therefore, the planned objectives inevitably reflect the aspirations and demands of private ownership. The basic contradiction of capitalism is the one between privately owned means of production and socialized production. It is very difficult for capitalism itself to resolve the contradiction, and the contradiction will inevitably affect the effectiveness of regulation by planning and will make it very difficult to attain planned economic objectives.

The Objectives and Formula of Economic Reform

The report of the 14th CPC National Congress has pointed out that the objective of China's economic restructuring is to establish a socialist market economy in order to further liberate and develop the productive forces. The socialist market economy is designed to replace the highly centralized planned economy that relies solely on administrative orders to distribute resources. The reform in our country has proven that the market-oriented reform is the only way for socialism to thrive. Under a market economy, the market is the principal distributor of resources and the principal regulator of economic activities. The market economy has the mechanism for distributing resources and is a system with a complete set of rules and regulations for fair competition. It is different from both the traditional planned economy and the ordinary commodity

economy. It results when commodity economy is developed to a certain stage, and it is the higher stage of commodity economy. While commodity market can solve only the problem of production for commodity exchange, market economy can solve the problem concerning rational distribution of resources for social production. The role of market economy in optimizing resource distribution has been proven during the present economic development in the world. Market economy is the basis for economic operation in all the countries and regions of high productivity and fast economic development. While their economic operation is based on market economy, none of those countries and regions negates or rejects state interference and regulation. The proposal for developing socialist market economy conforms to the economic trend of the present world. In 10-plus years since the beginning of reform and opening up, the scope of regulation by market forces has gradually been expanded, prices of most commodities have been decontrolled, the area under direct management by planning has been remarkably reduced, and the role of market forces in regulating economic activities has been greatly strengthened. Wherever the market fully plays its role, economic vigor is greater and the trend of economic development is better. If China is to optimize its economic structure, enhance economic efficiency, accelerate economic development, and participate in international competition, it must continue to strengthen its market mechanism and establish a socialist market economy.

The socialist market economy requires the market to play a basic role in distributing resources under the macroeconomic control of the socialist state, so economic operation will follow the law of value and the changes in market supply and demand, and so resources will go to more efficient producers and dealers as a result of price leverage and competition. The market pressures and motivates enterprises and eliminates those with poor performances. Since the market is sensitive to various economic signals, it can promote the coordination between production and demand. It is necessary to strengthen and perfect the state's macroeconomic control over economy so as to overcome the weaknesses of the market, such as spontaneity and blindness.

The socialist market economic system is integrated with the basic socialist system; public ownership, including ownership by the whole people and collective ownership, plays the dominant role while the individual, private, and foreign-funded sectors of the economy play the supplemental role. Various economic sectors would strive to achieve common, long-term development under the system. Different economic sectors can implement various forms of joint operation of their own accord. All the state-owned enterprises, collective enterprises, and other enterprises must enter into the market and give play to the leading role of state-owned enterprises through fair competition. Regarding the distribution system, the general principle of distribution according to work plays the dominant role while other distribution

methods play the supplemental role. Thus, consideration is given to both efficiency and fairness. Employing various regulatory measures, including the market, the socialist market economic system encourages the advanced units and individuals, improves efficiency, and reasonably widens the gap of income, while it works to prevent polarization and bring about common prosperity step by step. Regarding macroeconomic regulation, the system integrates present interests with long-term interests and partial or local interests with the interests of the whole, thereby more efficiently utilizing the strong points of the two regulatory measures of planning and market.

Focusing on the establishment of a system of the socialist market economy, we must deepen reform in the following areas:

1. We should establish the main body of the market and reform the system of enterprises in accordance with the principles of the socialist market economy as quickly as possible. The principal part of the efforts involves transforming the operating mechanisms of the state-owned enterprises, particularly the large and medium enterprises; encouraging enterprises to participate in market competition; strengthening their vitality; and improving their quality. Thus, instead of passively carrying out plans assigned by the higher authorities, enterprises will take the initiative to gear their production to the needs of the market. Enterprises must regard the market as the source of their existence, track the changes of market signals, capture market information, and respond flexibly, and swiftly. They must swiftly readjust their product mix and develop readily marketable new products on the basis of market demand, and they must readjust the orientation of investment and operating strategy in the light of guidance provided by the market. We must encourage enterprises to jointly run factories or set up factories abroad and improve the forms of their organization; separate the functions of the government from those of enterprises by means of rationalizing the relationship of property rights, thereby freeing enterprises from the embrace of the "nurse," namely, the government; delegate economic decision-making powers to them to enable them to truly become entities of legal person and the main body of market competition that make decision on their own business operations, assume full responsibility for their own profits and losses, strive to achieve development on their own, and exercise self-regulation; make them undertake responsibility and enjoy rights and interests; have them undertake the responsibility of ensuring and increasing the value of assets owned by the state; and make the activities of owning and transferring the property rights of state-owned enterprises and the activities of ensuring and increasing the value of such property right be conducted on the market. The key link for fulfillment of this target lies in the form for realization of reform of public ownership. The fact that public ownership plays the dominant role must be manifested in not only its quantity, but also its quality. In other words, the operation of

public ownership must be judged by whether it has resulted in increasing the value of assets owned by the public and expanding such assets and in maintaining its rule over the economy in crucial fields of endeavor as well as its influence over other economic sectors to expedite their development. This calls for remodeling state-owned enterprises as the main body of microeconomics in accordance with the general character of enterprises under the market economy when we carry out reforms of state-owned enterprises. We must explore how to establish a system of legal person's property that ensures state ownership and enterprises' management in accordance with the principle of separating ownership from management, adopt the form of property right that separates original property rights from legal persons' property rights while making the two interact within state-owned enterprises. The task at the core of the matter is to make legal persons have relatively independent property rights. The contract system of managerial responsibility being implemented at present should be further improved. Vigorous efforts must be made to implement the share system at selective points on a trial basis, sum up experiences gained in this respect, and draw up and implement relevant laws and regulations so it may enjoy sound development in an orderly way. Some small-sized enterprises owned by the state may be leased or sold to collectives or contracted for business operations by individuals.

2. We should accelerate the development of the market system and the improvement of the market mechanism according to the principle of the socialist market economy. The common law of market economics demands that we perfect the market system, and we should establish a perfect market system and a single, great market to enhance the regulatory functions of markets. The prerequisites for enhancing the regulatory functions of markets and invigorating the markets will be attained when we possess the characteristics of a modern market economy—circulation on the market of such key elements as material elements, spiritual elements, human conditions, tangible elements, and intangible elements for the production of ordinary consumer goods, information products, services, and equity; the establishment of markets for various types of key elements; and the establishment of a relatively perfect market system based on the above factors. We should promote the comprehensive circulation of key production elements when we establish a perfect market system. While we continue to develop our commodity markets, especially markets for production means, we should also actively cultivate finance markets for negotiable securities such as shares and bonds, and develop markets for technologies, labor, information, and real estate, so we will establish a nationwide, unified, and open market system as soon as possible. We should intensify efforts to build a market system and enact statutes to govern the markets; resolutely break divisions, blockades, and monopolies caused by different departments and regions; and promote and guarantee fair competition. To perfect the market mechanism, we should improve and

develop mechanisms for prices, interest rates, wages, exchange rates, competition, risks, and supply and demand. The mechanism at the core is the price mechanism. Price reform is the key to market development and economic reform. Prices, which are highly sensitive and reliable indicators, are the point of precipitation for market relations, the important substance and fundamental means that enable market mechanisms to play their roles, and the core around which we form our competitive markets. While bearing in mind how much each sector could tolerate our efforts, we should quicken the pace of reform, enthusiastically handle relations between prices, and establish a price mechanism that consists primarily of prices dictated by markets. This means that the government will generally not dictate and adjust prices and that prices will be formed through market exchange relations—when sellers and buyers bargain over prices—so the prices will fully reflect the supply-and-demand relations in markets and the severity of shortages in natural resources. This will lead to a rational distribution of socioeconomic resources, the practice of thrift, and a closer relation between social production and social demand. The price system of the socialist market economy has its own characteristics: 1) It only decontrols prices of most, not all, commodities; the prices of a small number of products whose pricing is subject to the availability of resources, prices of products for public consumption, and fees for certain important services must still be dictated by the state. 2) Decontrolled prices will not be allowed to drift freely; they will be restricted by the law of market, which reflects the pattern of commodity exchanges, in the form of marked prices, same prices for same quality, and good prices for good quality. The government will make stopgap administrative intervention to stabilize the market under extraordinary circumstances. 3) Macroeconomic prices, or the average price level, and a number of strategic prices, interests, wages, and exchange rates, will mainly be regulated and controlled through the use of economic means and policies, so excessively large fluctuations in the average price level, which will affect economic stability, will be prevented.

3. We should improve macromanagement and change government functions according to the principles of a socialist market economy. In a market economy, one of the main functions of the government is to carry out macroregulation; it should end its direct micromanagement and should manage indirectly. Specifically speaking, planning should be changed from mainly mandatory to that of mainly guidance planning, and control should be shifted from the control of specific amounts of supply and demands to overall amounts of supply and demands, from material to price, and from stationary to mobile. To enable planning to genuinely reflect changes in market supply and demand, it is necessary to use such economic parameters as money supply, savings reserve funds, rediscount rates, and a more open market to regulate signals of changes in market value; it is also necessary to effectively guide and regulate markets through using credit trends and giving play to such

economic levers as prices, interest rates, and tariff rates and through making use of the functions of industrial, financial, and monetary policies. The main purpose of changing government functions is to genuinely realize the separation of government functions from those of enterprises. Government's functions in managing social and economic activities should be limited to making overall plans, ensuring the implementation of government policies, providing assistance in organization and coordination, offering services and information, and inspecting and supervising. All government levels must not interfere in enterprises' exercise of functions and powers that are provided by state laws and regulations. All relevant departments and local governments must not divert the powers delegated to enterprises. Government departments should stop interfering in the production and managerial matters of enterprises. Changing of government functions is vital to deepening reforms in enterprises. Only by changing government functions in a down-to-earth manner will there be progress in the efforts to change enterprises' operation mechanisms.

4. We should deepen the reforms in the distribution and social security systems according to the principles of a socialist market economy. It is necessary to work out a mechanism for labor and employment competition according to market demands. Based on how the above mechanism works, the distribution of basic salaries to staff members and workers will be mainly decided in accordance with the amount of labor contributed by staff members and workers and through competition among them. At the beginning of the reform of the distribution system, stress should be laid on efficiency, and the principle of giving more pay to more work should be applied. To solve the problem of vast income disparity, the principle of fairness in the redistribution of social wealth must be adhered to. It is necessary to accelerate wage system reform; according to the demands of a socialist market economy, a wage system and a mechanism that provide for regular wage increases and that are in accord with the characteristics of individual enterprises, institutions, and organs should be gradually established. There will be a change in the labor employment system. Instead of state-guaranteed jobs, staff members and workers will be free to choose and change their jobs. A unified and coordinated social security system that separates government from enterprises should be put in place according to the demands of a market economy, and organs that can independently collect and use insurance funds should be established. This is aimed at completely changing the confusion and lack of management that now exist in the disposal of social security funds. It is necessary to increase the scope of insurance coverage. Not only there is a need to implement the insurance system at state-run enterprises, such a system should also be extended to all staff members and workers who work at enterprises with different ownership systems. Assistance should be given to staff members and workers who once worked at

bankrupt enterprises and to those who are made redundant through enterprises' reorganization and streamlining so they will be assured of maintaining basic living standards during the period of seeking reemployment. There is a need to integrate the reform of the unemployment insurance system with the implementation of the bankruptcy law. A still better job should be done on the overall planning of pension systems for staff members and workers at state-run enterprises. There is also a need to raise the degree of socialization of the pension insurance system, to initiate insurance coverage for individuals, and change the past practice of making the state and enterprises shoulder the full costs of pensions. Vigorous efforts are required to promote reforms of the medical system, enforce the system of staff members and workers sharing partial medical costs, set up an effective system to supervise health care budget, and raise the efficiency in the use of health care budget. Reform of the urban housing system needs to be accelerated; housing commercialization should be realized step-by-step in line with local conditions. Finally, we should, by taking into consideration the interests of and the relations between the state, collectives, and individuals, gradually implement the system of separating profits and taxes and the system of sharing tax revenues.

'Glossary of Socialist Market Economy' Terms

OW0503062093 Beijing RENMIN LUNTAN in Chinese
No 10, 15 Jan 93 pp 54-56

["Contributed by" Ma Zhuangchang, Yang Jidong, Xie Ping, and Xie Jun and organized by the RENMIN RIBAO Theoretical Department: "Glossary of Socialist Market Economy, Part 1"; first three paragraphs are RENMIN LUNTAN introduction]

[Text] Editor's note: The 14th party congress decided that the objective of our country's economic restructuring is to establish a socialist market economy. This was another theoretical breakthrough following the Third Plenary Session of the party's 12th Central Committee that had put forward the theory of a socialist planned commodity economy. This reflects the need for practical development and represents a result of deepened understanding.

Establishing the theory of a socialist market economy is of extremely great and far-reaching significance in accelerating our country's reform and modernization and winning ever-greater victories in the cause of socialism with Chinese characteristics.

To facilitate the study of the theory on the socialist market economy by large numbers of cadres and people, RENMIN RIBAO specially asked Professor Wei Jie, doctor of economics at the Chinese People's University, to take charge of compiling a "Glossary of Socialist Market Economy," which was continuously published in the paper's theoretical column and was well-received by readers of all walks of life. Beginning with this issue, this

journal will publish a summary of some entries in the glossary to meet the needs of readers in various circles.

I. Market Economy

The market economy is a mode for resource distribution. With this mode, the forces of supply and demand are to determine what products will be turned out, what methods will be used for production, and who will eventually get such products. The economies of the United States and some other Western countries are market economies. In the United States, however, some activities are not subject to market regulation; for instance, the output of many agricultural products are determined by the acreage and prices that are set or supported by the government. A market economy has three essentials: 1) Commodity producers and operators who have full authority for management and full responsibility for their profits and losses are independent legal persons and principal parties in the market; 2) the entire process of social reproduction—production, exchange, distribution, and consumption—is closely related to the market, and the ties of enterprises are established and maintained through the relations of commodities and currency; and 3) market mechanisms—internal economic mechanisms—regulate the distribution of resources and society and economy as a whole, and they are the foundation for economic operations. Like the commodity economy, the market economy is also an historic economic mode. The transformation of society from the natural economy to the commodity economy results in the market economy. At first there was the ancient market economy based on simple products, which did not occupy a dominant position in economy and society, so the ancient market economy was quite small in scope and scale. Then came the free market economy, which covered a fairly long period during which the commodity economy transformed into capitalism. Free competition was one of the free market economy's striking characteristics. The modern market economy is developing in today's world. This kind of market economy is characterized by the development and perfection of its mechanisms on the one hand, on the other hand, with macroeconomic controls, the modern market economy is not as anarchic as the free market economy was, although there is still some blindness in the former. The market economy and the commodity economy coexist; therefore, the market economy is not tantamount to capitalism, and there should be a market economy under socialism.

Socialist Market Economy

The socialist market economy is an economic form organized through the market on the basis of a public-owned means of production. The major features of a socialist market economy are: 1) The commodity producers and dealers with public-owned means of production are the main body of the market; 2) a principle of giving simultaneous consideration to the interests of individuals, collectives, and the state, and the objective of achieving a common prosperity exist in market

economy relations; and 3) the state regulates in a planned way the supply and demand of all of society on the basis of common fundamental interests. At present, our country is still in an initial stage of socialism. Such a reality decides that the features of China's market economy in the present stage are: 1) Enterprises have not yet completely become the main body of the market, the relations of market economy have not yet been established in many respects, the market mechanism is not yet mature, and the depth of economy in a very large part of rural areas has not yet been linked to the market; 2) the entire production factors' market is sluggish and backward, price signals are inaccurate, production factors cannot move about, and friction exists in many areas between administrative means and market functions; 3) the united market and regional markets exist simultaneously; 4) the overall market mechanism is immature, making it difficult for the government to exercise indirect control; and 5) our market economy has a low degree of connection with the international market and occupies a very small portion of the international market economy. The development of the market economy is an indispensable stage of development of a socialist economy, particularly in China. This is because: 1) Market mechanisms can rationally distribute resources and form the best combination of production factors; 2) market mechanisms can effectively motivate enterprises to forge ahead wisely, take risks, work hard, and pioneer; 3) market mechanisms can promptly and accurately collect the information necessary to society, use the information in guiding production and commodity circulation, and enable us to attain the objectives of socialist production in an even better way. Practicing market economy under socialist public ownership has never been attempted by our predecessors. We must practice it boldly.

Distribution of Resources

The distribution of resources is a process of selecting the proper economic resources for the purpose of achieving the best production efficiency. Western economists believe that this is the basic topic of economics. Any society has three major basic economic questions to answer—what to produce, how to produce, and for whom. Economic resources (including material resources and manpower resources) in society are limited. Increased input of a certain resource in the production of a certain product will cause reduced input of the resource in the production of another product. For this reason, people have to make the best choice among various interchangeable resources to solve the three major questions, achieve the highest efficiency, and satisfy to the maximum extent the interests of consumers, manufacturers, and society. The distribution of resources is done either by the market or by planning. The best resource distribution means that resources must be used in the production of the products that consumers need the most, and resources are allocated to the most efficient producers. To achieve the best distribution of resources, we must ensure that the marginal

product of a resource is the same no matter what the resource is used for. Under market economy conditions, the best resource distribution is achieved through the pricing mechanism of the market. If no interference exists, the price change will lead the resources from less profitable usage to more profitable usage, and from less important usage to more important usage. A market structure that permits complete competition is the ideal market structure because it can achieve the best distribution of resources. A market structure with monopolistic factors does not provide for the best distribution of resources. The obstacles to rational resource distribution also include social and psychological factors, as well as limitations in the systems, such as the immobility of production factors, patent rights, and so on.

Market Mechanism

A market mechanism is an internal organic relation established by various sectors within the market organism in the course of market exchange activities to contain and influence one another. To speak concretely, the correlation among main market bodies in pricing, interest rates, competition, tax rates, supply and demand, and risks, formed through their economic activities on the market to contact and act on one another, and the ways they condition each other, are market mechanisms. Market mechanisms show different characteristics in varied social formations. However, they still have common features: They are characterized by interrelations—action from any sector in the market mechanism will cause a chain reaction in another; they regulate profits—market mechanisms directly affect profits in every main economic body; market mechanism effects are related to the market environment and are governed by certain environmental conditions; market mechanism effects come from internal market forces; market mechanisms share the character of blindness—drawn by interests of various economic entities, the effect of market mechanisms shows a state of relative irregularity; they share the nature of indirectness or time lag—the process and results of the market mechanism effect are not direct, but twist and bend. The relationship between socialist commodity and currency has determined some new traits in the socialist market mechanism: Because of the influence of a planned mechanism, blind, indirect, or time-lag effects are overcome to some extent; the scope and degree of effects are limited to a certain extent; the ultimate aim of regulatory effects are to integrate production and consumption, state and enterprise interests, as well as long-term and short-term interests. Market mechanisms are a spontaneous form of the functioning of the law of value. The positive effects are to encourage commodity producers and dealers to vigorously improve technology, reduce labor consumption, and improve managing and administrative levels; spontaneously regulate the development ratios of production, circulation, and various sectors within the national economy; create an open market environment and promote the improvement of labor quality as well as social exchanges and the progress of human civilization.

The negative effect is that a greater blindness may appear, causing waste and damage in social wealth, and it may arouse some kind of economic and social chaos and lead to anarchy. Therefore, market mechanisms should integrate with planned mechanisms to eliminate or reduce negative effects as much as possible and to fully bring about positive effects.

Marketing System

A marketing system means an organic unity of various kinds of markets, including markets for subsistence means, means of production, capital, labor, technology, information, and real estate. It also includes tourism, entertainment, culture, transportation, and posts and telecommunications markets. A marketing system is an integrated system that consists of a variety of specialized markets. All specialized markets have their own special functions. They depend on and contain each other and jointly act on social economy. The disjointedness of any part or link may cause obstruction and chaos to the entire economic operation. Within the whole marketing system, consumer goods' and production means' markets are the main bodies and foundation that rule and influence other markets, which are all developed on the basis of these two markets. The operation of the entire marketing system must focus on them. Naturally, other markets also bring important counteractions against these two markets. The effect of a marketing system brought about through market mechanisms is specifically displayed in the interaction and cooperation among various specialized markets through competition, prices, supply and demand, and other factors, which motivate the entire national economy. China's existing market is an incomplete one, and there are a great deal of limitations to the effect of market mechanisms. Commodity economy operations should be realized through markets; therefore, improving the marketing system is an objective requirement to developing China's socialist market economy. A complete marketing system should include: 1) integrated coordination of various kinds of specialized markets; and 2) the integration and unity within these specialized markets. As China deepens reform of the economic system, all kinds of specialized markets will open up and develop step-by-step, thus forming a more perfect socialist market system.

The Commodity Market

The commodity market is one that is formed by material products in kind during their exchange and circulation. It consists mainly of the two major categories of the market for consumption means and the market for production means. The commodity market constitutes the main body and basis of the entire market system because the growth of the commodity market will determine the formation and development of the capital market, the technology market, the labor services market, and other markets, because its price signals are the basis upon which the price signals will take shape on the other markets, and because the operations of the entire market system and their coordination must be

centered on the commodity market. In a broad sense, the commodity market refers to economic relations occurring between people in the process commodity circulation; and, in a narrow sense, it refers to a place in which purchases and sales of tangible commodities take place. The commodity market can be divided in terms of the scope of locality into the international commodity market, the domestic commodity market, the urban commodity market, and the rural commodity market. The commodity market in China constitutes the principal integral part of the unified socialist market. It has the following characteristics: 1) Planning—public ownership of the means of production provides the condition for organizing circulation of commodities nationwide in a planned way, and, therefore, determines that the commodity market has the character of planning. 2) Spontaneity—this character is determined by the attribute inherent in commodities themselves as the regulatory role played by the law of value itself. 3) Competition—competition is a characteristic of the commodity economy. As long as competition exists in the production and exchange of commodities, it will exist in the commodity market. 4) The character of opening up—various economic sectors and forces coexist in the socialist commodity market, and commodities freely circulate among different cities, urban and rural areas, and different regions under the economic policy of opening to the outside world and invigorating the economy at home. Therefore, the commodity market has the character of opening up.

The Market for Production Means

The market for production means refers to the place and sphere for exchanging the means of production. Commodities that enter this kind of market are those that are provided for by production and are used to meeting consumption needs by production. They include various machineries, equipment, building materials, transportation vehicles, raw and semifinished materials, fuel, various auxiliary materials, semimanufactured goods, and component parts and spare parts. The market for production means has the following characteristics: The commodities to be exchanged are intermediate products to be used as a means of labor, and those that need such commodities are mainly production enterprises and construction institutions. Their purchases involve large quantities, and wholesale trade plays the dominant role. Buyers have strict requirements for the standardization of commodities, product technology, and specifications, and users require the best technical services. Because their needs are not very flexible, price fluctuations and commercials will have relatively insignificant impact on users; in addition, most buyers are intelligent because, usually, specialized personnel are assigned the task of placing orders after the collective has made a decision on procurement. The market for production means constitutes an important integral part of the socialist market system in China. Because China used to maintain in theory that the means of production for exchanges between enterprises owned by the whole people are not

commodities, after the founding of the People's Republic, the market for production means did not develop. It was not until after China made a theoretical breakthrough that maintained that the means of production for exchanges between enterprises owned by the whole people are not commodities in 1979 that control over the market for the means of production was gradually relaxed; however, much remains to be desired of the market. If we want to establish a perfect market for production means, we must meet the following three requirements. 1) Enterprises, not the government, should constitute the main body of the market. 2) Enterprises participating in activities for the market for means of production should be manufacturers and managers of commodities who keep business accounting independently and assume full responsibility for their own profits and losses. 3) The principle of competition and equal exchange must be implemented, and, meanwhile, the role of market mechanisms in regulating the circulation of means of production must be brought into full play. To this end, we must accelerate reform of enterprises owned by the whole people and vigorously promote development of the socialist market economy. Establishing and improving the market for means of production will help enterprises independently and flexibly conduct their business operations, expedite a link up between production and sales, improve management, increase economic returns, and achieve development amid competition.

The Technology Market

A technology market is a place where the purchases and sales of technology and relevant activities take place. It is the bridge and link that join scientific and technological research with production and construction. The technology market, where technology is exchanged as a commodity, is the product of advanced development in commodity economics. For a long time, we refused to acknowledge that science and technology are commodities and refused to allow the compensated transfer of scientific and technological achievements. As a result, no technology markets were created, scientific research was divorced from production, and the application of science and technology was greatly obstructed. In recent years, to adjust itself to the development of commodity economics, our country started to change the system of relying solely on administrative means to transfer technical achievements, and tentatively created and formed a technology market. This is an important breakthrough in the reform of our country's economic system. Technology markets involve primarily such means as technical contracts, technical consultations, technical services, compensated transfer of technological achievements, and technical training. Inventions and creations of an individual or enterprise in a capitalist country are regarded as the private property of the inventor. The inventor will either apply to relevant government organizations for patent rights for his inventions or creations or claim sole authority over the unique technology by classifying it. Persons other than the

inventors who wish to use certain patented technology must purchase licenses from owners of the patent rights and sign trade contracts for the licenses. After paying a certain amount of money for the license, the licensee obtains the right to use the technology of the licensor under prearranged terms. This type of technology trading is known internationally as the "license trade." License trading plays a dominant role in the international technology market. At the present stage, the main methods used in our country's technology market are technology market trade fairs held in major cities, technology shops, and technical consultation service companies. By creating technology markets, we help link science research departments with production units, facilitate the quick transformation of fruits from scientific research into practical productive forces, and give due compensation to labor consumption for scientific research. This is important to the acceleration of technological modernization.

Scientist Urges 'Sixth Industrial Revolution'

HK0403050093 Beijing GUANGMING RIBAO in Chinese 19 Feb 93 p 3

[Report: "Ushering in the Sixth Industrial Revolution—Two Letters by Qian Xuesen on Developing Rural Economy"; first three paragraphs are paper's introduction]

[Text] Editor's note: These two letters written by Comrade Xian Xuesen are both worth reading. With a scientist's strong sense of responsibility and foresight he forwarded the original idea about China's leading role in launching the Sixth Industrial Revolution.

The so-called Sixth Industrial Revolution refers to the major changes in the productive forces, and even in society as a whole, caused by biological science and technology progressing by leaps and bounds. The main battlefield for the Sixth Industrial Revolution is not in the comparatively developed larger cities but in the comparatively poor fields, mountainous forests, and grasslands. At the same time, the Sixth Industrial Revolution will require a rather large technical and financial input. Daqiu Zhuang village in Tianjin, Huaxi village in Jiangsu, and Liuzhuang village of Henan, which have become rich ahead of others in the course of reform and opening up, possess precisely such conditions. Therefore, Qian Xuesen said, "they can start the Sixth Industrial Revolution."

In his letters, Qian Xuesen proposed that the state carry out pilot schemes for the Sixth Industrial Revolution in these three places and give them guidance. It is learned that Qian Xuesen's opinion has attracted attention from the party Central Committee and the State Council. We hope that these villages which have made achievements in reform will take new steps forward.

Vice Premier Tian Jiyun:

This is the third letter I have written to express my idea about developing new socialist large agriculture in our country. I feel that this issue is of great importance, thus I need to deliver a report to you.

First, we are facing a new industrial revolution, one in the early 21st century. The industrial revolution is a major development of the productive forces brought about by the new technology in production, a major change in the economic structure, and a consequent leap forward in the social structure. The first industrial revolution occurred about 10,000 years ago when the human race replaced hunting and gathering with crop growing and animal husbandry and the social system of primitive communes was changed into the slave society system. The second industrial revolution occurred in China about 3,000 years ago, namely, in the late period of slave society, when commodity exchanges appeared. The third industrial revolution was that occurring in Western Europe in the late 18th and early 19th century. The fourth industrial revolution occurred in the late 19th and early 20th century, when the world market was opened up by imperialism and the production system changed substantially. A worldwide market economy then took shape. Because of Lenin's early death and Stalin's ossified thought, the Soviet Union was unable to enter the socialist market economy and incurred heavy losses. This also affected our country because we also lost 40 years!

The fifth industrial revolution is the ongoing information revolution which is spreading across the world, triggered off by electronics technology. This has attracted close attention in our country. Along with the reform of the socialist economic structure, the development of the socialist market economy in our country, and the involvement of Chinese enterprises in world market competition, the fifth industrial revolution will certainly be carried on and spread in the future.

Our socialism cause is led by the CPC and we are armed with historical materialism. We should have the foresight to envision things in the 21st century and on the 100th anniversary of our party's founding on the basis of summing up historical experience. Therefore, we should pay attention to the great development of contemporary biological science and technology and note that this will trigger off another industrial revolution—the Sixth Industrial Revolution. We should make preparations for the Sixth Industrial Revolution in our socialist China.

Second, the marine and forestry industries which I mentioned in my two previous letters to you are in fact necessary preparations for the Sixth Industrial Revolution; and our forestry, grass, marine, sand industries should catch up with agriculture, namely, the farming industry. Agriculture always takes the lead in the process development. At present, the state has formulated a whole set of policies and systems to raise the rural economy to the comparatively well-off level by the end of this century. The forestry, grass, sea, and sand industries should also develop more quickly.

Third, another task in the preparatory work for the Sixth Industrial Revolution is to grasp our three current models in the rural economy, namely, Daqiuizhuang, Huaxi, and Liuzhuang villages. They have all now exceeded the level of being comparatively well-off and have built up strong township and town enterprises which accumulate huge amounts of funds every year. I have written a letter to Comrade Yu Zuomin of Daqiuizhuang village (as enclosed herewith), encouraging them to set an example for the whole country. Comrade Yu Zuomin has also replied expressing his excitement.

Fourth, according to recent reports about Daqiuizhuang and Huaxi, although they have possibilities and the desire to launch the Sixth Industrial Revolution, they still face difficulties in actually making the first step. They also still lack the state's guidance and aid and lack the support of a strong scientific and technological force in pursuing technological development. Therefore, I wrote a letter to Comrade Li Zhensheng, vice president of the Chinese Academy of Sciences, soliciting his opinion on launching the Sixth Industrial Revolution in Daqiuizhuang. He gave me an affirmative reply. Therefore, it seems that the work is now only short of the state's guidance and aid. The work in this field cannot do without the organization of the leading bodies, especially guidance from the high-level leadership, because this work is not an ordinary nationwide task arranged in a unified way.

Fifth, and finally, the purpose of this letter is to request that you arrange a pilot scheme for the Sixth Industrial Revolution in Daqiuizhuang, Huaxi, and Liuzhuang villages.

I look forward to your criticism of any incorrect points. Qian Xuesen, 25 November 1992

Comrade Yu Zuomin:

I received your letter and the five enclosures on 18 June. After studying them, I was deeply enlightened. It seems that I have seen the Sixth Industrial Revolution that socialist China will be carrying out in the 21st century ahead of other countries in the world! The following is the report I want to deliver to you.

In the fifth year after Daqiuizhuang began reform, namely, in 1984, I felt that because the scientific revolution and the technological revolution inevitably brought about an industrial revolution, the contemporary progress of the biological science and technology by leaps and bounds is also a round of scientific and technological revolution that would inevitably lead to major changes in productive forces and in society. This will be the Sixth Industrial Revolution. However, I did not envision how the Sixth Industrial Revolution could be launched in socialist China because a difficult problem exists: The main battlefield will not be in large cities, which are comparatively more affluent; instead, it will occur in the fields, mountainous forests, grasslands, seas, and deserts which are still rather poor. Moreover, such knowledge-intensive industries will require tremendous input.

However, today I have seen the great achievements made by Daqiu Zhuang during the past 12 years. It has accumulated great economic strength through comprehensive operations in agriculture, industry, and commerce. Daqiu Zhuang can now start the Sixth Industrial Revolution! This is a great historical feat by Daqiu Zhuang! Is this opinion correct? Please consider it.

If we can think this way, where then should action be taken first? I think that action should be taken first in areas with fewer difficulties. For example, Daqiu Zhuang can raise over 1,000 beef cattle with the straw and stalks from the grain crops grown in the 4,400 mu of fields after they have been treated with ammonia. The cattle are useful resources and even the dung can be used to produce methane gas. The dregs from the methane-generating pits can be used as organic fertilizer. All this is mature technology. Moreover, solar energy can be fully used in "three-dimensional agriculture" and the economic efficiency can thus be raised greatly compared with ordinary planting methods.

Daqiu Zhuang pigsties produce 20,000 pigs every year. Added to the beef cattle it raises using straw and stalks, it can run a slaughterhouse and process the meat into directly marketable goods packed in plastic bags. Animal products can also be used to produce medicine and other goods. This is the so-called intensive processing of the farming products.

What do we do in the next step? That will be to enhance utilization of solar energy by adopting the method of factory production. In China, each square centimeter of ground receives 120-200 calories of solar energy. Plants synthesize dioxide and water into carbohydrate through chlorophyll by making use of merely a quarter of the solar energy. That is, the annual per-mu yield of dry materials (including underground roots and stems and aboveground straw, stalks, and grains) is between 47.9 and 79.8 tonnes. The actual food output is one-third of this figure. In our country, the ideal per-mu grain output should be 16-27 tonnes but the actual record output was merely 1.5 tonne or just 6-9 percent of the ideal figure. That is to say, there is great potential yet to be tapped. The above-mentioned "three-dimensional farming" merely uses elementary technology. The more advanced technology is used in the closed "plant factory."

To fully apply biological science and technology to agricultural production, the state has yet to make great efforts to carry on applied research and corresponding theoretical research. I mentioned this in my speech at the 17th meeting of the Seventh National Committee of the Chinese People's Political Consultative Conference and I will not repeat myself here.

Through comprehensive operations in agriculture, industry, and commerce, Daqiu Zhuang has gradually begun the Sixth Industrial Revolution and gradually expanded production which will, in turn, create greater financial resources to support the further application of

science and technology for advancing the Sixth Industrial Revolution. What will Daqiu Zhuang look like in 20-30 years time? It is hard to imagine at present because no precedent exists yet in the world. Daqiu Zhuang may become the first in China, the first in the world, and the first in human history! As Marx said, the three major differences will have been eliminated and Daqiu Zhuang will take the lead in advancing into the Communist world!

I think that the houses which have been all rebuilt and modernized in Daqiu Zhuang "once and for all" as you said will then be pulled down and rebuilt once again. Therefore, I give you the book *Contemporary Urban Gardens—Hefei's Explorations* written by Comrade Wu Yi, an architect and vice governor of Anhui Province. The book was a gift he gave me and I now give it to you as my gift. With my best wishes to Daqiu Zhuang's advancing in the world and to the future!

Qian Xuesen

10 August 1992

Article Discusses 'Underdeveloped Transportation'

HK0503092593 Beijing RENMIN RIBAO in Chinese
22 Feb 93 p 1

["What Should Transportation Do As the Economy Enters New Stage?" column by staff reporter Zhang Guorong (1728 0948 2837): "When Will China's Railroads Get Out of the 'Bottleneck' (Part One)?"—first paragraph is paper's introduction]

[Text] Editor's note: Beginning today, this newspaper carries a series of reports on the problem of our country's seriously underdeveloped transportation. The main topic is: "What should transportation do as the economy enters a new stage?" This series of reports will reveal the serious situation of underdeveloped transportation to allow everyone to understand the seriousness and urgency of the problem; on the other hand, there will be reports on some universal experiences, drawing on collective wisdom and absorbing all useful ideas, and discussing how we can use the reform method to better solve this problem, which has an impact on the overall situation of our country's economic development.

Transporting passengers during the spring festival is a common phenomenon every year, but it was the hardest task this year.

A few days into the Year of the Rooster, China's railroads were rocked and shaken by the turbulent waves of rushing passengers.

A million Sichuan people went to Guangzhou and hundreds of thousands of workers rushed to Pudong. The Beijing-Guangzhou Railroad asked for emergency help as did the Beijing-Shanghai Railroad, the Changsha-Chongqing Railroad, and the Chengdu-Kunming Railroad.

The train compartments were full. The train stations were full. There were crowds everywhere.

According to the relevant department's statistics, in 25 days during the Spring Festival, the railroads transported 71.17 million [total as published] passengers. The average daily passenger volume was 3.26 million, and the figure rose to 3.486 million at the peak period.

In light of this, the State Council asked the Ministry of Railroads to take a series of emergency measures. Throughout the country, an additional 4,600 passenger trains left stations, while some 5,000 cargo trains were canceled. All available boxcars and standby compartments were used and trains were elongated from 12 to 20, 25, and even 30 compartments. Even this could not alleviate the pressing needs. Every train was overloaded by 100 percent. Three people squeezed for sitting space on a table, which was measured only one square foot. The one-square-meter toilet had a dozen people, all standing and there were people on the luggage racks and under the seats.

Because of this, passengers were prone to become furious and train attendants were often crying. The people posed the question: It has now been more than 40 years since the liberation, so why is railroad transportation in our country in such a bad shape?

China's Railroads Have Become a "Bottleneck" for Development of the National Economy; Only 60 percent of Cargoes Are Transported and Every Day Is a Peak of Passenger Transportation; Many Important Materials Have a Bearing on the National Economy and the People's Livelihood Can Only "Have Output Fixed According to Transportation"

In fact, the shortage of railroad transportation in our country did not begin this morning but the problem has become more acute during this year's Spring Festival. The basic problem is that railroads in China are seriously underdeveloped.

We find it harder to transport cargoes every year. In 1992, the country's total industrial output value increased 20.8 percent over 1991 but the volume of cargoes transported by railroads increased only 3 percent. It was not because there were no cargoes but was because the cargoes could not be transported.

At present, the audited daily average of train compartments demanded by various localities in the whole country is 120,000 but the railroads can only carry some 73,000 compartments. The main lines, such as the Beijing-Guangzhou, Beijing-Shanghai, and Lanzhou-Lianyungang Railroads, and the key hubs are all saturated. The number of railroad "handicapping mouths" increased to 24. These "handicapping mouths" can only satisfy less than 40 percent of the demand of the cargoes waiting to pass through them. Some firms have lost their international markets because they failed to secure space on a train.

Because of the limited railroad transportation capacity, many important materials which have a bearing on the national economy and the people's livelihood can only "have output fixed according to transportation." This is particularly true about the coal in Shanxi, Shaanxi, and western Inner Mongolia.

A leading comrade from the central authorities once went to inspect Shanxi. When he saw the piled up coal, which was waiting to be transported in an outdoor location, decay and spontaneously combust, he was so distressed that he could not hold back his tears. Meanwhile, in the coastal regions, because there is often a lack of coal, there is also a lack of power and production must stop or slow down.

To a large extent, our country's energy problem is a transportation problem. According to estimates by the relevant department, in the past two years, the tight supply of energy caused by inadequate railroad transportation capacity meant losses of 400 billion yuan annually to the state, as well as the loss of profits and tax amounting to 50 billion yuan. If the speed at which goods are transported by rail can be accelerated appropriately then, supposing 10 percent of the funds flowing in the country can be saved, this equals another 50 billion yuan can be saved annually.

In the third quarter of last year, at the meeting on restricting production and suppressing stockpiles, which was held by the State Council's Economic and Trade Office, various provinces, municipalities, and autonomous regions moaned and groaned that: Railroad transportation capacity was inadequate and large quantities of materials could not be transported in and out.

Heilongjiang Province's Planning Commission reflected that 3 million tonnes of material were waiting to be transported into the province. Liaoning Province reflected that 2 million tonnes of material were waiting to be transported out of the province and that it was difficult to continue to limit production, suppress stockpiles, and promote sales. Yunnan and Guizhou could not transport phosphorous ore out of their sites, to the extent that it seriously affected the production of chemical fertilizer in various localities. Ningxia, Qinghai, Gansu, and Xinjiang were anxiously trying to transport huge quantities of cotton, salt, sugar, and oil out of their provinces but got stuck at "Tianshui Pass" because there was an unbalanced distribution of transportation capacity. Sichuan had more complaints; a new folklore in the province says: "Sichuan has a hard time today because railroads have difficulties reaching out to other places."

Faced with this situation, the comrades from the Ministry of Railroads are very anxious and worried.

Daily passenger transportation is at a peak. Generally, trains are overloaded 50-70 percent and sometimes even 100 percent. Every day throughout the country, about 800,000 passengers stand, not sit, as they travel. In the

past it was "stand if you travel in Shanghai" and now, its "stand wherever you travel in the country."

Shortly after liberation, about 100 million passengers travelled by rail every year. This figure rose to 1 billion last year. The number of train compartments has increased from 14 to a maximum of 30 with little effect and cannot solve the problem. On average, each person travels by train less than once per year; in Japan, each it is 65 times per year; in France, 14.7 times; and in India, 4.1 times. Our country's railroads cannot even cope with this low level of travel consumption.

During the 40-day transportation operation for this year's Spring Festival, 118 million people in the country changed places via railroads. Some foreign friends do not understand this. One hundred million! What a huge figure. Some countries in the world cannot move such a huge number of people even when they "exhaust all their resources." This is China's situation.

China Has Only a Few Railroads; They Are Poorly Equipped; and the Per Capita Length of Railroad Is Shorter Than Half a Pencil. The Railroads Have Been Overloaded for a Long Time and Operated by Paying the Price of Decreasing the Safety Coefficient and Sacrificing the Interests of Passengers and Owners of Cargo

Our country's railroads have a history of more than 100 years. Before the founding of New China, the country had 22,000 km of railroads. In more than four decades since the liberation, some 30,000 km of railroads have been built. At the end of 1992, our country had 53,890.4 km of railroads which were open to business, of which 13,703 km were multiple-track railroads and 8,742.8 km were electrified.

For every 10,000 square km, our country has 55.1 km of railroads, ranking us in 70th position in the world; India, which is a developing country, has 208.4 km, 3.71 times our figure.

For every 10,000 people in the United States there are 8.3 km of railroad; in Japan, 7 km; in India, 0.8 km; and in China, 0.45 km. This gives us a per capita length of 4.5 centimeters, ranking our country in 100th position in the world.

However, it is precisely this per capita length of 4.5 centimeters of railroad which has shouldered more than 70 percent of the total volume of the cargoes transported in our country, as well as 50 percent of the total number of passengers.

For a long time in our country, the railroad transportation volume growth rate has lagged behind the industrial growth rate, while the growth rate of railroad transportation capacity has lagged behind the growth rate of railroad transportation volume. When 1991 is compared with 1949, the volume of passengers and cargoes transported by the railroads in our country shows an increase

of 42.9 times; in the same period, the length of operational railroads increased only 1.4 times only, and the number of locomotives increased by 2.4 times.

A relevant department has estimated that when the industrial output value increases by 1 percent, the volume of cargoes transported by rail should increase by 0.5 percent and that when the ratio (coefficient of elasticity) is 1:0.5, railroad transportation can meet the needs of national economic development. In our country, from 1950 to 1985, the ratio of industrial output value to the increase in volume of cargoes transported by railroads was 1:0.4; during the Sixth Five-Year Plan, it decreased to 1:0.3; and in the past two years, it has decreased to 1:0.2.

At present, the load on our country's railroads is 25.794 million tonnes per km, 3.43 times the figure in the United States, 3.28 times the figure in India, and 1.98 times the figure in Japan. Since the disintegration of the Soviet Union, our country has ranked first in this respect. The annual output value of each locomotive in our country is one-fifth higher than that in the United States and the annual output value of each cargo compartment is 2.8 times higher than that in the United States. As regards the annual output value of each passenger compartment, we are No. 1 in the world.

At present, every day some 20,000 cargo trains and 2,000 passenger trains will leave the stations. The interval between trains passing on main railroads is less than 10 minutes and even as short as six minutes. Such density is rare in the world.

When some people comment that our country's railroads, with their low-standard technological equipment, have earned economic returns comparable to those earned by the modernized railroads in the economically developed countries in the contemporary world, some experts incisively point out that this is done so by paying the price of decreasing the safety coefficient, sacrificing the interests of passengers and cargo owners, laying idle a lot of production ability, and the inefficient operation of the national economy. We can shore up the situation for the time being but we cannot do so forever. It is lucky if there are no incidents; if a serious incident occurs, it is a punishment.

Income-Production 'Problem' in Agriculture

HK0403105293 Beijing GUANGMING RIBAO in Chinese 18 Feb 93 p 1

[From the "Agricultural Specialist on Agriculture" column by Ke Bingshen (2688 3521 3932): "Contradictory Relationship Between Peasants' Income and Grain Production and Countermeasures"; first paragraph is paper's introduction]

[Text] Editor's note: How to preserve the favorable momentum of sustained and steady development of the rural economy, which is an important component of China's socialist market economy, is an important task.

As of today, this newspaper devotes a column to the discussion of the problem. Certain agricultural specialists will be invited to air their views for the reference of the management concerned and the broad masses of readers.

China's agriculture is now in the course of moving toward a comprehensive market economy, which represents a great and historic change. This change will greatly stimulate rational allocation of resources and economic growth. However, only marketization will not automatically solve all the problems involved in China's agriculture. Of all the problems, the most outstanding one is peasants' income. We should acquire a clear understanding of this issue and take effective countermeasures.

To ensure a supply of food and increase peasants' income are two major tasks of the departments responsible for agricultural production. Under the conditions of the planned economy, the two are compatible: Since the prices of grain are fixed, the more grain peasants produce, the bigger income they will draw. Things will be different under the market economy: The more grain peasants produce, the lower the prices will be. If the prices go down at a rate greater than the growth rate of production, increased production will only end up with less income. Theoretically, this is because the elasticity of demand for food is very small (less than one). This has been born out by what happened in the United States and Western European countries, where there is a developed market economy. China's actual conditions clearly show the tendency. China's grain production peaked in 1984 and 1990, but the peasants drew less income from grain production owing to low market prices of grain at that time. In 1984, the total output of paddy, wheat, and Indian Corn was 7 percent higher than 1983 and 1985, but peasants' income was 4-5 percent lower in terms of market prices. In 1990, the total output of the three kinds of grain was 11 percent higher than 1989, but peasants' income was 14 percent lower in terms of market prices.

The small or even zero growth rate of Chinese peasants' income will not only prevent us from achieving the objective of enabling peasants to "lead a relatively comfortable life," but will also affect national economic development. Relatively, it is easier to solve production problems and the use of market forces proves effective. However, it is more complicated to solve problems related to income. We cannot satisfactorily solve these problems by means of market forces due to characteristics inherent in agricultural production. Countries practicing the market economy for a long time such as the United States and Western Europe countries, as well as those countries introducing the market economy only a short time ago such as Poland, shared such a painful experience. The problem related to peasants' income will present a long-term and formidable challenge in the course of agricultural and rural economic development. The contradiction between the targets for peasants' income and for production makes the problem more difficult and complicated. It is necessary to find a

solution for this complicated problem through practice. I should like to come up with some ideas and suggestions of principle.

First, we must pay great attention to the problem concerning peasants' income and try to solve the problem, regarding it as a long-term strategic task rather than a temporary task to be tackled only before the Spring Festival. In the meantime, we should acquire a clear understanding of the contradictory relationship between the targets for peasants' income and for production under the market economy. Even if we lift all restrictions on grain markets, the peasants can only increase their income 1-2 percent, and they will not have their income increased again in the future. So we should not expect too much of the plan to lift restrictions on grain markets.

Second, we should introduce a mechanism to protect grain prices, ensuring that grain prices will not be lower than a certain level in bumper harvest years. This is a short- and mid-term measure which will achieve quick results.

Third, we should strengthen agricultural scientific research and promote technological progress. Scientific and technological achievements can help lower cost and increase production, so they constitute a basic way to solve the contradiction between the targets for peasants' income and for production. The state should be far-sighted and willing to invest in agricultural scientific research. But the present situation leaves much to be desired.

Fourth, we should raise the productivity of those enterprises producing capital goods for agricultural production. Low industrial productivity will cause the prices of materials needed for agricultural production, such as chemical fertilizers, to go up to a staggering level. We can help ease the contradiction between the targets for peasants' income and for production by lowering peasants' production cost through advancing the enterprise reform, which will serve to boost productivity and lower prices.

Fifth, we should step up the process of transferring more peasants to other industries and constantly expand the operation scope of peasant households. This is a strategic measure of basic- and long-term nature. A survey shows that the per-capita income of the peasants in eastern China is much higher than that of the peasants in middle and western areas, as is the productivity. The basic reason is that township enterprises are more developed in eastern China, which accordingly helps expand the operation scope of agriculture. A bigger operation scope will not only help improve productivity, but will also introduce scientific and technological achievements into agricultural production, which will help increase production and thus better solve the contradiction between the targets for peasants' income and for production. Naturally, we should expand the operation scope step by step and on the individual household basis rather than "merging individual households into a big group."

A brief account of the author: Ke Bingsheng, male, was born in Fengcheng County, Liaoning Province, in 1955. He had a doctorate conferred upon him by Hohenheim University in Germany. He has published five volumes of monographs and translations, as well as 40 treatises in Chinese, English, and German. He is provided with the government's special subsidies. Currently he is associate professor of Beijing Agriculture University, deputy president of the Institute of Research Students [yan jiu sheng yuan 4282 4496 3932 7108], and chief of the training section.

Article Warns of Agricultural Fluctuations

HK0403132593 Beijing JINGJI RIBAO in Chinese 19 Feb 93 p 7

[Article by Lu Xueyi (7120 1331 5669) and Zhang Houyi (1728 0624 5030): "Guard Against the Possibility of Agriculture Slipping Back to Fluctuations"; first paragraph is paper's introduction]

[Text] Editor's note: After an investigation, Comrade Lu Xueyi, director of the Chinese Academy of Social Sciences Sociology Department, and Comrade Zhang Houyi, assistant researcher in this department, pointed out that there have been four large-scale ups and downs in agriculture since monopoly purchase and marketing of major agricultural products were practiced in China in 1953. As far as grain is concerned, the production is high at one time but low at another, very unstable. Some people describe this as "dancing from side to side," vividly portraying the tortuous path of China's agricultural development in the last 30-odd years. Now the following requires a high degree of precautions: There are indications that agriculture may possibly slip back into the old rut of "dancing from side to side." Now we will publish the main points of their research as follows to draw the attention of people in various social circles toward agriculture.

Grain Still Remains a Problem Involving the Overall Situation and Should Not Be Taken Lightly

Some comrades optimistically said that a slight decrease in agricultural production is useful because this can reduce storage, which will alleviate the difficulties in selling grain. This idea is very dangerous!

First, China's agricultural foundation is not solid. Take grain as an example. Although the state has grain storage, the consumption amount available for supply to the entire society has surpassed the grain safety line. This storage is actually dispersed in almost 100,000 granaries throughout the country. Out of consideration for different regional and departmental interests, the amount on file frequently does not conform with the actual amount in storage.

The problem at present is that the whole country says that their granaries are filled to the door. Some provinces and cities which need to bring grain in and big enterprises which need grain have postponed their transfer

and purchase to economize on fund occupancy and reduce the risk of storing grain. Some enterprises transfer only the amount needed for immediate use. This has added to the burden on grain producing regions and to the difficulties in selling and storing grain.

Second, when stored grain really needs to be transferred out for use, there is little which can be transferred to the market for sales. As learned, some regions have stored stale rice and some of it has gone bad. This kind of grain is not good to men or even pigs.

Third, the basic characteristic of China's agricultural situation in the present stage is small-scale production versus a big market. Since the implementation of the contract responsibility system on a household basis with remuneration linked to output in China's rural areas, all peasant households have been entitled to production, circulation, and operational autonomy. So far, most of them are still engaged in agricultural production. In some areas which have naturally or historically taken shape, each household has similar small farmlands, similar traditional farming skills, similar consumption levels, and similar life habits; they have great similarities. Historical lessons have proved that since reform and opening up, the peasants generally emulate each other and experience simultaneous repercussions in the course of transformation from traditional agriculture into modern agriculture. Now there are nationwide difficulties in selling grain. The lower the grain prices, the more the peasants selling grain. Even those peasant households who do not have much grain storage also follow the trend of selling grain. It is difficult to judge how much grain storage the peasant households have. But if something crops up, or if there are many units and people buying grain from an area or several areas and grain prices go up, the peasants may possibly become grain buyers. If regulation and control are not applied properly, what happens next is the peak of buying grain in large areas and it will be difficult again to buy grain from the market! There are more than 200 million peasant households in China. There are tens of thousands and even several million peasant households in a region. If they go all out to sell or buy grain, no grain market can withstand the impact caused by these one-way repercussions! The Year 1992 Was an Average Year for Agriculture, Problems May Arise in 1993 Agricultural Production [subhead]

The year 1992 saw a good summer harvest, which hit a record high. But after summer, localities began to slacken their efforts on agriculture, with a little decrease in early rice and summer-sown crops and bad field management. In addition, there was slight drought in most regions and others suffered from floods, causing a decrease in autumn grain production throughout the country. There was even a bigger decrease in cotton production because some cotton producing regions were hit by natural disasters. But taken as a whole, 1992 was an average year for agriculture.

What is incomprehensible, after the busy purchasing season in 1992, is that only about 50 percent of the grain, cotton, and oil purchasing plans were fulfilled. The relevant department explained this abnormal situation this way: First, the funding was not ascertained; second, granaries were not adequate and most of them were full; third, local grain and cotton purchasing departments were transforming their operational mechanism, some new policies and measures were not implemented, and out of consideration for departmental economic interests, most of them did not have the initiative in purchasing or storing grain or cotton. Therefore, there is still a large amount of grain, cotton, and other agricultural products in the peasants' hands or flooding the rural market places. On the whole, the agricultural situation was good in 1992. With previous years of accumulation, supply will not be a big problem after the 1993 summer harvest.

There are indications that problems may possibly arise in 1993 agricultural production.

First, farmlands will drastically reduce. Arbitrary occupation of farmlands has become a nationwide wave which necessitates the application of drastic measures, otherwise it can be out of control. Since 1991, occupation of farmlands for construction purposes has rapidly increased. Occupation of farmlands in 1991 increased more than 30 percent over 1990. In the spring of 1992, occupation and use of farmlands for nonagricultural production began to increase by a wide margin. Many local governments and departments use farmlands as the main method to invite tenders and to accumulate or increase wealth, by building development zones under all sorts of names and carrying out large-scale construction of commercial plazas and real estate companies. Statistics by the relevant department suggest that all levels and various kinds of development zones total more than 8,000. Most of these development zones are located around big and medium-sized cities along railways and highways, and most of the farmlands occupied are high-yield lands and vegetable fields. In particular, real estate business has flourished in recent years. Strongly seduced by huge profits, all kinds of organizations and individuals in the country and abroad have built real estate companies one after another, the focus being to occupy cheap land. There were 929 real estate companies of all kinds in Guangdong Province in the first half of 1992. Real estate companies in Liaoning Province increased from 260 in 1991 to 400 in the first half of 1992. Hong Kong, Taiwan, and overseas big businessmen drool over China's real estate. In July 1992, Fujian Province sent people to Hong Kong to invite tenders, during which contracts were signed for 32 projects of large-scale land development and land leasing, with 23,565 mu of land planned for use. Now some villages and towns in coastal developed areas are also using collective land to enter the real estate market and run all kinds of joint ventures or cooperative enterprises with foreign businessmen and urban enterprises, thus speeding up the decrease in farmlands.

Second, low grain prices have seriously dampened the peasants' initiative in growing grain. The prices of grain and other major agricultural products have dropped for several consecutive years to the level below state purchasing prices. According to statistics compiled by major grain producing provinces like Hubei, Jiangxi, Anhui, and Jiangsu, the selling price of 50 kg of rice was some 40 yuan in 1990, some 30 yuan in 1991, and 24 yuan in 1992 as fixed by the state contract for quota purchases. But many grain stations postponed their purchases because they were short of funds, some purchased grain with IOU notes, and others simply did not purchase at all. The peasants had no alternative but to sell their grain in the market. Thus grain prices dropped further. In some regions, 50 kg of grain only cost 17-18 yuan. Even so, many peasants could not sell their grain and quite a portion of grain was overstocked in peasants' homes, causing much resentment among them.

In the meantime, the prices of agricultural production materials kept rising. A survey in Xingmen City, Hubei Province, suggests that the price of urea increased by 8.9 percent in 1992 over 1991, the price of phosphate fertilizer by 9.1 percent, and water charges by 30 percent. Due to these price factors, each peasant in Xingmen earned 40 yuan less in 1992. Because agricultural production costs rose, net income from per mu rice in 1992 decreased by 53.5 percent as compared with 1991.

These low incomes from growing grain and difficulties in selling grain have of course dampened the peasants' initiative in growing grain. Between the summer and autumn of 1992, some peasants gave up reaping the grain they had sown. On the areas sown to autumn crops, less grain was grown. Moreover, different degrees of wasteland appeared in various localities. Larger areas of wasteland will be noticed in 1993.

Third, the increase in the peasants' actual income has become stagnant or sluggish, causing many economic and social problems. According to statistics provided by the State Statistical Bureau, the peasants' per capita net annual income increased from 544.94 yuan in 1988 to 708.55 yuan in the period from 1989 to 1991, but the total price index rose 27.1 percent in the same period, so the actual increase for the three years was only 2.2 percent, at an annual average of 0.7 percent. Because township and town enterprises and nonagricultural undertakings developed fast in southeastern coastal areas and on the outskirts of large and medium cities, the peasants' net income from these increased much, but in the central and western parts of the country as well as in provinces and regions which rely mainly on agriculture, the peasants' actual income dropped in these three years.

Taking the country as a whole, about half of the peasant households' actual income dropped in these three years.

The direct impact of this stagnation in the peasants' actual income was a decline in their initiative in production and a decrease in agricultural investment. This affected agricultural production. According to statistics,

calculated at fixed prices, in 1989 the investments of peasants throughout the country in the purchase of fixed assets for production expansion decreased by 22.2 percent as compared with the previous year, a decrease of 35.4 percent in 1990, and a decrease of 18.2 percent in 1991.

Fourth, the peasants' irrational burden has become heavier. Despite repeated prohibitions, this has not stopped but has become the biggest social problem in the present-day rural areas. Now there are all sorts of pretexts in extorting money from the peasants. There are 182 kinds of pretexts in some regions. In most cases, the money derived from the peasants' income account for over 10 percent of their net income, and over 20 percent in some places. The most frequently use method is directly deducting some money from the income of the peasants from the sale of agricultural products, sometimes money will be deducted from their postal remittances, sometimes people will directly come to their homes to collect payments.... Once a clash broke out between rural cadres and peasants because the latter could not afford the payments to be collected.

Fifth, cadres do not care about agriculture. In the spring of 1992, all kinds of fevers began to emerge in various localities, including the fever for land development, the fever for running small industrial zones, the fever for real estate business, the fever for stocks, and the fever for secondary occupations. Cadres were more fervent in doing business than in 1985. Particularly after summer, when the news on merging departments and personnel reduction began to spread, cadres who had remained unmoved could no longer sit still and started rushing into business circles. In these "fevers," there were few people who were fervent about agriculture; instead, many did something which directly damaged agriculture and the peasants' interests, such as occupying large areas of farmland, misappropriating agricultural funds, and imposing arbitrary financial apportioning on the peasants. What was even worse, the cadre contingent formed to ensure agricultural development began to change its course. As learned, now principal leading cadres in some regions do not care about agriculture; instead, they devote major efforts to industrial and land development. Even some cadres in agricultural work departments, agricultural and economic commissions, and agricultural bureaus no longer care about agriculture.

Sixth, much work needs to be done to enable agriculture to transfer from the old structure to the new market economic structure. The system of monopoly purchase and marketing of major agricultural products has now entered the final period of discontinuation after the introduction of market-oriented reform in the last few years. The problem is this: Cadres and peasants have lived under the planned rural economic structure for almost 40 years and this structure has become a tradition and habit among some of them. Something which has taken shape through decades should be resolved by historical means rather than by anxious, simple, and one-stroke methods.

Now some localities and departments regard the lifting of monopoly marketing of grain and oil as an opportunity to lay down their burden; some want to take this opportunity to net some profits by retaining three-linked [san gua gou 0005 2171 6869] goods as well as the funds and materials used to support grain and cotton production; some give up their own duties under the pretext of "promoting the peasants into the market." The purchase has also stopped for the grain and cotton the peasants have grown according to the purchase contracts.

According to the information we have obtained, the majority of the peasants do not know what to grow or how to sell after the monopoly purchase and marketing of grain was lifted. A survey conducted by Ganyu County, Jiangsu Province, on the peasants' mental status suggests that 70 percent of them are afraid of having no information about what to grow, 45 percent are afraid of being unable to sell their grain after growing, and 75 percent are afraid of continuous increases in the prices of industrial products.

Protecting the Peasants' Interests and Their Initiative in Production Is the Fundamental Way Out for Agricultural Development

1. Having a good idea of the situation and unifying understanding. In the autumn of 1992, rural problems, the peasants' problems, and agricultural problems began to arise. If these problems are not promptly resolved or properly handled, problems will crop up in agriculture in 1993. But no consensus has been reached on this grim rural situation. Particularly, nonagricultural departments have not reached a unanimous understanding on this problem. It is necessary to conduct a survey on reunderstanding the rural problems, to go to the grass-roots level in the rural areas, to carry out a direct investigation among the peasants and grass-roots cadres, to find out about the living conditions of the peasants, about what they think, about their difficulties, about how large areas of farmlands have been occupied in the last few years, about how many IOU notes the peasants have received, about the whereabouts of funds allocated by the state bank for the purchase of agricultural products, about the peasants' burden, about what is rational and irrational, about why the peasants' actual income has remained stagnant despite years of good agricultural harvests, about why the price disparity between industrial and agricultural products has widened in the last few years, about how much grain the peasants store at their homes, about how much grain and cotton is stored in state warehouses, and about whether or not storage statements conform with the amount of grain actually stored. All these are the basic conditions in the present agricultural situation and are also China's basic national conditions. Having an accurate and explicit idea of these national conditions is the basis for formulating policies and also serves as a foundation to unify our understanding.

2. Promptly adjusting the policy and developing agriculture steadily. We should make up our minds to lower the

temperature wherever the economy is overheated, to shorten the excessive capital construction line, to orient the economic policy toward the rural areas, the peasants, and agriculture, and to balance the imbalanced scale. Now it should be explicitly pointed out that farmlands should be protected, the peasants' interests should be protected, and agriculture should be protected. When the peasants' interests are protected and they obtain actual benefit, their initiative in production is also protected. Protecting agriculture—which is the foundation—means protecting the national economy, and this will bring about the sustained, steady, and coordinated development of the entire economy.

3. In the course of establishing the socialist market economic structure, early efforts should be made to formulate policies and measures to protect agriculture. As an undertaking directly linked to zoological and botanical production, agriculture is affected by natural resources and the weather. It is frequently weak amid market competition. Therefore, agriculture needs the protection of state macroregulation and control. All economically developed countries in the world have laws and regulations to protect agriculture. China is in the course of transforming traditional agriculture into modernized agriculture, so the position of its agriculture is even weaker. Therefore, it is even more necessary for the state macropolicy to protect agriculture.

In protecting agriculture, the most important point is to ensure financial funding for agriculture, to ensure agricultural development in terms of resources disposition, and to protect the peasants' interests in terms of distribution. Now the system for purchasing and marketing grain and other major agricultural products is changing. The former financial subsidies and preferential policies for grain and cotton production should not be abolished but should be used for subsidizing the production of grain, cotton, and other major agricultural products, as well as scientific research and circulation so as to benefit agricultural producers and dealers and to develop agricultural production.

4. Seizing the opportunity, concentrating efforts, resolving problems, and promoting agricultural development in 1993. The peasants' burden should remain below 5 percent of their actual income earned in the previous year, as the State Council regulations stipulate. Imposing

an excessive burden is irrational and illegitimate. The peasants have the right to refuse payments which fall into the category of exemption clearly clarified by the regulations. It should be reiterated that arbitrary occupation of farmlands is prohibited, those which have been occupied but remain unused should be reopened for farming after verification. Before spring farming starts, all localities must announce the protective prices of grain, cotton, oil, and other major agricultural products for 1993, so that the peasants will engage in farming with ease of mind.

All these need the application of funds from state and local finances. This will alleviate all kinds of rural contradictions and stabilize society. If the above problems are not resolved before spring farming, the peasants will be disheartened and lose their initiative in farming; if agriculture declines and goes back to the old rut of "dancing from side to side," there will be a bigger price to pay!

'Selected Works of Zhou Enlai on Economy'

OW0403140093 Beijing XINHUA in English 0927
GMT 4 Mar 93

[Text] Beijing, March 4 (XINHUA)—"Selected Works of Zhou Enlai on Economy" and a large album about Zhou, the late premier, are off the press and will be in circulation starting tomorrow nationwide.

According to the publishers, the Chinese Communist Party Literature Research Center under the party Central Committee, publication of the two books was designed to mark the 95th birthday anniversary of Zhou Enlai, one of the most respected Chinese leaders.

The "Selected Works of Zhou Enlai on Economy" includes 108 articles written during 1948-75, with most of the 370,000-word selections published for the first time.

Zhou Enlai, who had been premier for 26 years, was among those responsible for the recovery of China's war-torn economy and for its socialist economic construction till his death in 1976.

The album includes more than 500 photos, which give an account of Zhou's whole life.

East Region

State Council Approves Open Areas in Fujian

OW0503015393 Beijing XINHUA Domestic Service in Chinese 2103 GMT 25 Feb 93

[By reporter Wang Fanfan (3769 0416 0416)]

[Text] Fuzhou, 26 Feb (XINHUA)—The State Council recently officially approved the inclusion of Fuan city and Fuding County of Ningde Prefecture as well as Sanming, Nanping, and Longyan cities in Fujian Province as economically open coastal areas. This shows that with all coastal cities and counties opening, Fujian has marched forward to open up its inland mountainous areas.

The spokesman of the Fujian provincial government disclosed that as of late, the State Council had approved some measures on Fujian's opening wider to the outside world, which include establishing a 0.6 square [sq] km Xiamen bonded area; establishing the Fuzhou bonded area covering an area of 1.8 sq km; setting up the Jimei Investment Area in Xiamen for Taiwan businessmen, with a projected area of 78 sq km where the policies implemented in the Xiamen Special Economic Zone will be applied to Taiwan-funded enterprises; extending the Fuzhou Economic and Technology Development Area to the Small Kuaian Area, and increasing its current area of 4.4 sq km to 10 sq km; establishing the Rongqiao Economic and Technology Development Area in Fuqing County; establishing the Dongshan Economic and Technology Development Area covering an area of 10 sq km; implementing the various policies enforced in the coastal economic open regions for Sanming, Nanping, and Longyan cities, and Ningde Prefecture's Fuan city and Fuding County.

So far, the Fujian provincial party committee and the provincial government have worked out appropriate measures for implementation in line with the guidelines of the written reply of the State Council to help the provincial economy enter a new level more efficiently and faster.

Shandong Establishes Women Entrepreneurs Society

SK0503020193 Jinan Shandong People's Radio Network in Mandarin 2300 GMT 4 Mar 93

[Text] The inauguration of the province's Women Entrepreneurs Fellowship Society, which is a joyous occasion for the province's women, was held in Jinan on 4 March.

Jiang Chunyun, secretary of the provincial party committee, and Zhao Zhihao, governor, sent letters of congratulations extending festive greetings to women comrades on various fronts across the province through the participating women entrepreneurs. Their letters say: Over the past few years, a large number of women entrepreneurs have emerged in the sharp market competitions and become an important force in the programs

of reform, opening up, and economic development. Jiang Chunyun and Zhao Zhihao urged the women entrepreneurs and women in various social circles throughout the province to carry forward the glorious tradition, earnestly study the theory of Comrade Deng Xiaoping on building socialism with Chinese characteristics by regarding the spirit of the 14th CPC Congress as a guideline, unite as one, wage struggles, boldly make progress, and make still greater contributions to making the province's economy prosperous.

Attending the inauguration were Ma Zhongcai, deputy secretary of the provincial party committee; Xu Jianchun, vice chairman of the provincial People's Congress Standing Committee; and Ma Shizhong, vice governor of the province. The fellowship society appointed Ma Zhongcai and Xu Jianchun as its honorary presidents and Wu Aiyang as its adviser. The participating entrepreneurs elected (Liu Peiying) as president of the fellowship society.

East China Trade Fair To Open in Shanghai

OW0403135893 Beijing XINHUA in English 1318 GMT 4 Mar 93

[Text] Shanghai, March 4 (XINHUA)—More than 1,000 Chinese companies from a dozen provinces and municipalities in China are expected to participate in the '93 East China Export Trade Fair which will be opened here tomorrow (March 5).

Officials said at a press conference today that participants from seven provinces and municipalities in east China as well as Hubei, Sichuan, Henan and Fujian Provinces will attend the fair. The number of participating units approaches 1,000, up 40 percent on last year.

Yu Yongliang, secretary general of the fair, said that trade fairs in the last two years had increased trade opportunities and helped the development of an export-oriented economy in the region.

Yu said that the exhibition hall this year is larger allowing for bigger business scope. Commodity exports and imports, processing according to design samples, compensation trade, technical trade, investment items and foreign economic and technical cooperation will be included in the fair.

More than 20,000 foreign clients from some 130 countries and regions have been invited, according to Yu.

Central-South Region

Guangdong Secretary Speaks on Politics, Law

HK0503102293 Guangzhou Guangdong People's Radio Network in Mandarin 0400 GMT 27 Feb 93

[Text] A Guangdong provincial meeting on politics and law and for commending advanced units and individuals in the comprehensive management of social order was held this morning in the Guangdong Provincial CPC

Committee Assembly Hall. Xie Fei, provincial CPC secretary, stressed at the meeting: In the coming 20 years, Guangdong must not only do well in economic construction but also improve social order and the general mood of society. Political and legal work should have its own corresponding reform in the process of serving reform and opening up and be strengthened and improved in reform.

When talking about the issue of how to do well the comprehensive management of social order, Xie Fei pointed out: It is necessary to establish an Army-police-people defensive network, and in key sections and areas a 24-hour patrol must be conducted irrespective of weather; this will strengthen management of the itinerant population and rented houses. For key areas and units which have numerous problems, it is necessary to straighten things out and put things in order.

At the meeting, 85 units, including the provincial cultural department and others, as well as 80 individuals, including (Hu Zhongliang) and others, were separately awarded the titles of advanced provincial units and individuals in the comprehensive management of social order.

Guangdong Security Units Not To 'Exceed' Powers

HK0403143793 Beijing ZHONGGUO XINWEN SHE in English 0911 GMT 4 Mar 93

[Text] Guangzhou, March 4 (CNS)—A circular issued by the Department of Public Security of Guangdong Province to the various public security bureaus within the province repeated that public security organs may not exceed their powers in intervening in economic disputes and may not demand payment in such cases on behalf of persons involved in cases in which they are involved.

The department has published such notices on several occasions in recent years, but certain local public security organs have treated the legal system with scorn and have abused their powers, meddling in economic disputes. In some cases they have illegally resorted to taking people into custody and freezing bank accounts and goods, thereby infringing on people's legitimate interests and rights. Such behaviour has brought the public security organ into disrepute with enduring bad effects.

The notice has made clear that such practices were contrary to the correct behaviour of the public security organs in respect to the country's economic construction. It said that the various public security organs had to strictly abide by the regulations laid down by the Ministry of Public Security and the provincial public security departments. Wrong practices such as regional protectionism had to be eliminated, and the public security departments should not be allowed to meddle in economic disputes under any circumstances. Should there be such meddling in the future, the person directly responsible and the official in charge would be severely dealt with.

Hunan Secretary Gives Instructions on Health Work

HK0403112493 Changsha Hunan People's Radio Network in Mandarin 2300 GMT 28 Feb 93

[Text] Xiong Qingquan, secretary of the provincial party committee, said at the Hunan Provincial Work Meeting on Public Health and the Prevention of Snail Fever on 27 February that the work of public health and the prevention of snail fever should provide fine service to and guarantee the people's health in the province's endeavor to rank among the 10 most powerful provinces in the country. In the course of reforming the work of public health and prevention of snail fever, the proper handling of the following three relationships should be followed: 1) The relationship between social effects and economic results should be correctly handled. No matter how we carry on reform, we must not forsake the spirit of Norman Bethune and the humanitarian spirit of healing the wounded and rescuing the dying. 2) The relationship between guarantees and relaxation should be correctly handled. Rural public health, the prevention of diseases, medical care, and basic medical services for the masses should be guaranteed, while urban public health and special medical services should be relaxed so as to gradually promote and complement the former. 3) The relationship between relaxation and control should be correctly handled. The relaxation of measures to invigorate medicine and medical markets is not tantamount to giving up control of them. It is necessary to protect legitimate operations through tightened control in order to form a normal order of medical markets.

Southwest Region

Hong Kong, Taiwan Media Interview Sichuan Chief

HK0303124593 Chengdu Sichuan People's Radio Network in Mandarin 2300 GMT 25 Feb 93

[Text] As soon as they arrived in Chengdu last night 11 Hong Kong and Taiwan reporters, who have come to Chengdu to participate in the Sichuan Provincial Hong Kong Business and Trade Talks upon invitation, immediately interviewed Governor Xiao Yang at 2030 last night in Jingjiang Guesthouse. This shows that the media of Hong Kong and Taiwan are extremely interested in the new provincial governor and in Sichuan's economic development.

A reporter asked about Sichuan's current economic development and plans for the future.

Xiao Yang said: Sichuan's original formulated principle for economic development is to double the economy [GNP] again by 2000. Recently, we held the first session of the 8th provincial people's congress and decided to double the economy three years ahead of schedule. In order to achieve this target we must go through reform and opening up. Last year, the central authorities formulated a policy of opening up areas along the Chang Jiang.

Sichuan, which is situated in the upper reaches of the Chang Jiang, now uses the same policy as that for coastal areas. In other words, in cooperating with foreign businesses, Sichuan possesses the same conditions as coastal areas. Moreover, it will concede a considerable portion of its markets. This is what coastal areas cannot do.

A reporter asked: What are the big joint ventures currently run by Taiwan entrepreneurs in Sichuan?

Xiao Yang said: Since last year, Taiwan's industrialists and businessmen have invested fairly considerably in Sichuan. They tend to invest in big projects, and the prospect is very good. There are mainly three categories of big projects: The first is the chemical industry, especially the petrochemical industry and the gas chemical industry. The second is the electronics industry, which they emphasize on the communications electronics industry. The third is the metallurgical industry, especially the iron and steel industry. Judging from the trend, it is very probable that they will succeed.

A reporter asked: Sichuan has quite a large number of state-run large and medium enterprises. How is their reform is proceeding?

Xiao Yang said: In the last two years, there has been progress and changes in Sichuan's state-run large and medium enterprises. However, fundamental progress and changes are not visible now. We say we need to change the mechanisms of state-run large and medium enterprises, but we must not change their mechanisms alone, as this first of all involves the question of the economic structure. To enable enterprises to operate on their own, develop themselves, and regulate themselves, it is necessary to do something for the economic management structure. At present, at least three questions remain with our structure: First, the fact that enterprises make their own decisions with respect to personnel, management, technological advancement, and distribution all involves the question of how the upper-level economic management system should work. Second, when enterprises can make decisions for themselves, what methods will be used to coordinate some of their behaviors so that they will not conflict with the interests of the country. Third, when enterprises can decide for themselves and have entered the market economy, how are we going to deal with the problem when some of them fail to the brink of bankruptcy in market competition. Only when these three questions are properly settled can enterprises really develop their roles independently.

At the request of Hong Kong's TA KUNG PAO reporters, Xiao Yang also briefed them on Sichuan's securities and stock markets and banking reform. Xiao Yang said: Issues and trading on Sichuan's securities and bonds markets are more or less the same as other places in China. Sichuan's stock market now has two types of shares. The first are shares that can be officially marketed. The other are shares for the inside the enterprises. Since we are now in the period of experimentation, Sichuan's volume of shares on the market are comparatively small.

A reporter asked: I heard that the central authorities have recently approved that the Dongfang Electrical Machinery Plant shares will be marketed in Hong Kong. Is this true?

Xiao Yang said: We are now preparing for this, and moreover, the preparations are fairly good. If conditions are ripe, it is possible that the plant will be listed this year. As for banking, Sichuan still does not have foreign banks, but we are making preparations these days so that several foreign banks can be set up in Sichuan. The central authorities have already consented to our idea, and it seems that the idea is very feasible.

Reporters interviewing Governor Xiao last night were from Hong Kong's TA KUNG PO, WEN WEI PO, THE SOUTH CHINA MORNING POST, CHING CHI TAO PAO, CHING CHI JIH PAO, SHANG PAO, and TELEVISION BROADCASTS LIMITED; and Taiwan's LIEN HO PAO.

Yunnan Governor on Steps To Open Province Wider

OW0503082093 Beijing XINHUA in English 0629
GMT 5 Mar 93

[Text] Kunming, March 5 (XINHUA)—Southwestern Yunnan Province traditionally had little contact with the outside world, but over the past year it has adopted a comprehensive opening policy by exploiting its position as a border area, according to a top official in the province.

In an exclusive interview with a XINHUA reporter, Yunnan Governor He Zhiqiang said that the province has made substantial achievements in opening in the past months.

With the approval of China's State Council, or cabinet, preferential policies have been granted to such border cities in Yunnan as Ruili, Wanding and Hekou as well as its capital Kunming.

Yunnan is also coordinating its greater openness with other sections of southwest China. This year, five provinces and autonomous regions in the southwest will jointly hold an export commodity fair in Kunming, from August 8-18, the governor said.

Meanwhile, Kunming will set up a tourist holiday zone and a new high technology development zone.

To date, there are 94 open cities and counties in Yunnan, or 74 percent of the province's total area.

According to the governor, who is of Naxi ethnic minority nationality, there are two predominant factors that have propelled Yunnan's current opening drive: Deng Xiaoping's important speech on accelerating the pace of economic reforms and opening, made in south China early last year, and the central government's preferential policies on the opening of Yunnan.

In 1992, Yunnan made marked progress in foreign trade and attracting overseas investment. Moreover, Yunnan has reached agreements with neighboring countries, including Laos and Myanmar, on cooperative projects involving an investment of over 10 million U.S. dollars.

Rich in tourism-related resources, Yunnan received over 300,000 overseas travellers last year, according to the governor.

To give impetus to further economic development, Yunnan will invest some 10 billion yuan (about 1.8 billion U.S. dollars) in such infrastructural projects as aviation, railroads, highways and power generation.

North Region

Beijing Establishes Copyright Protection Group

OW0303151793 Beijing XINHUA in English 1456
GMT 3 Mar 93

[Text] Beijing, March 3 (XINHUA)—Beijing established China's first copyright protection association today.

A number of large publishing houses including the People's Literature Publishing House, the China Youth Publishing House and the Beijing Publishing House are among the group members. More than 100 writers, scientists and lawyers also participate in the association as the first group of individual members.

Beijing has about 200,000 writers. In addition there are more than 4,900 news and publishing organs in the capital.

In recent years, cases involving breaches of copyright have been on the rise. The association is expected to participate in lawsuits and to provide information services for its members.

Hebei Secretary Helps Academy Solve Problems

SK0303095493 Shijiazhuang HEBEI RIBAO in Chinese 4 Feb 93 p 1

[By reporter He Shaoming (0149 1421 2494): "Energetically Support Science Academies and Institutes To Run Industries"]

[Text] On the afternoon of 3 February, Cheng Weigao, secretary of the provincial party committee and governor, and Zhang Runshen and Gu Erxiong, vice governors, led responsible comrades of the provincial financial department, science and technology commission, foreign economic relations and trade commission, agricultural bank, and land management bureau to the provincial agricultural and forestry sciences academy to handle affairs on the spot. They helped the academy solve specific problems that were in dire need of solution in translating scientific research achievements into productive forces and in initiating industries.

During recent years, the provincial agricultural and forestry sciences academy has adapted itself to the demands of the market and has geared itself to economic construction. In addition to scoring some scientific research achievements which are high in level and good in prospects, the academy has engaged by turn in five development and production projects—namely, the no-virus seed of garden plants, the improved variety and improved breeding of crops, the anti-insect pest fruit bags, the (antienergetic) insecticide and germicide, and bio-preparations. To form enterprise-oriented operations, appropriate scale of production, and industrialized efficiency for these scientific research industries in as short a time as possible, Cheng Weigao and some other leading comrades travelled to the academy to handle affairs on the spot with a view to helping it solve problems. They first visited the exhibition on the scientific research and development achievements of this academy, listened to the report on the detailed situation of the academy made by a responsible person, and solicited the opinions of pertinent departments and bureaus. Then and there, they had the final say to grant development loans to the academy, to allow it to use its land, and to authorize it to deal in import and export.

Cheng Weigao pointed out: This on-the-spot meeting is devoted to accelerating the process of translating scientific and technological achievements into productive forces and to making full use of the technological advantages of major academies and research institutes to support academies and institutes to run industries. Only by achieving success in the industries run by academies and institutes can we thoroughly change the scientific research condition, improve the working, living, and remuneration conditions of scientific and technological personnel, retain and attract talented persons, and better serve agriculture and peasants. This year is the year of scientific and technological progress. To energetically grasp science and technology, we should do several tangible things in line with the plan of the year of scientific and technological progress.

Cheng Weigao called on all departments at all levels to go into immediate action to support science research academies and institutes to initiate scientific and technological entities and new and high-technology industries. Science research units should be brave in having those who are familiar with science and technology and good at management undertake development projects. Tasks should be assigned to sciences research academies and institutes to engage in development. We should not only clearly see the latent efficiency of technological achievements but also see the explosive force of these achievements in the hands of scientific and technological personnel.

Zhang Runshen and Gu Erxiong also dwelt on his opinions on how to emancipate the mind to engage in development and how to bring in the enterprise operational and managerial mechanisms.

Hebei Official Discusses Rural Problems

SK0303100493 Shijiazhuang HEBEI RIBAO in Chinese 16 Feb 93 p 2

["Excerpts" of speech by Li Bingliang, deputy secretary of the Hebei Provincial CPC Committee, given at the provincial agriculture and rural work conference on 15 February: "Uphold Market Orientation, Greatly Promote Reform, and Comprehensively Implement the Various Party Policies in Rural Areas"]

[Excerpts] 1. Correctly Analyze the Situation and Further Enhance Understanding of the Importance of Agriculture and Issues Concerning Peasants

The series of reform measures with the market mechanism as the orientation and the economic development in all sectors of rural areas as the target, which we have adopted since the third plenary session of the 11th party Central Committee, have yielded the achievements that become the focus of world attention. Generally speaking, Hebei's situation in agriculture and rural work is indeed very good.

Despite the good situation, we should remain clear-headed to see problems, which exist mainly in four areas. First, the material and technological foundation for agriculture is still very weak. The overall agricultural production capacity, especially the production of grain, cotton, and oil-bearing crops, is not high and fluctuates rather greatly. Some localities face the difficulty in selling some varieties of their farm products. Second, due to the trend in the price difference between industrial and agricultural products, the profits of agriculture and the income of peasants have declined, which also weakens the purchasing power of rural areas. Third, due to a decline in peasants' income, their burdens have increased. Such a problem is serious in some localities. Fourth, IOU's are issued in the purchases of farm products, misuse of cultivated land goes rampant, and funds earmarked for agriculture are used for other purposes. These are problems that harm the interests of agriculture and peasants and that exist at varying degrees. All the aforementioned problems affect not only the stability of agriculture and the rural economy but also the development of the entire economy, the worker-peasant alliance, and the party-populace ties. [passage omitted]

2. Several Issues on the Current Rural Policies and Rural Work

The first issue is that we should conscientiously reduce the burdens on peasants.

This is the major work that party committees and governments at all levels should pay close attention to this year. In the documents distributed at this conference, the provincial party committee and government forwarded clear-cut requirements on this work and decided to devote four months to clearing up and rectifying peasants' burdens. All localities and departments

should attach great importance to this, make arrangements for it, and take immediate action. The province, as well as prefectures, cities, and counties, should establish special bodies to take charge of this work. All press units should closely coordinate to increase the special reports on reducing the burdens on peasants. The entire province should be firmly determined and build up a momentum to truly reduce peasants' burdens so as to win the trust of the people.

Peasants' burdens mainly include two aspects. One is the "three apportionments and five unified collections of funds." Through the rectification, we should resolutely keep the collection of funds within the percentages prescribed by laws. The other is other kinds of levies, mainly the fees, donations, and fines collected arbitrarily and forced collection of other funds and donations and sales of insurance policies, newspapers, and magazines through administrative means. Such levies should be examined one by one and stopped, returned, or reduced if necessary. If the offenses are serious, they should be handled according to laws and disciplinary actions. The focus of the examination are education funds and fees. In particular, we should screen the personnel employed directly with peasants' funds, such as the personnel of town and township stations, centers, offices paid with the money collected in a unified manner and the above-quota teachers of community-run schools. Those who should be dismissed should be done so regardless of their personal ties. We should resolutely cancel all the emulation activities funded by peasants and other inspections and appraisals that are not worthwhile and that waste money and manpower. What we should rectify particularly is the use of the funds collected in a unified manner, confiscated money, and fines; and the accounts should be made public. [passage omitted]

The second issue is that we should conscientiously implement the various preferential policies and actively explore ways to establish a macro regulation and control system for agriculture.

We have formulated some preferential policies on agriculture since reform started. The current key work is to put these policies in place and implement them well. Implementation of the preferential policies on agriculture is, in essence, a reform meant to develop the agricultural market economy and establish the macro regulating and control system for agriculture.

In establishing the provincial-level macroregulating and control system for agriculture, we should proceed from and aim at serving the increase of agricultural production and peasants' income. The following work should be emphasized at present. First, we should establish a provincial-level storage system for major farm products, such as grain and cotton, and regional protective prices. Different protective policies should be applied to the major grain and cotton growing areas and the areas whose major crops are not grain and cotton to improve the structure, upgrade the quality, and increase the

output. Second, we should cooperate with other localities to establish fairly stable and mutually beneficial futures agreements on the purchases and marketing of grain and cotton and methods for redistributing the various varieties of products. Third, guided by the state macro policies, we should organize forces to implement the provincial grain and cotton import and export plan. Fourth, we should guide and coordinate the relations between prefectures and counties in the production, supply, and marketing of grain and cotton. We have defined clear policy regulations for some of the aforementioned macro regulation and control. We should gradually improve them in the process of enforcement. However, a great amount of exploration is still needed. [passage omitted]

The third issue is that we should steadily increase agricultural investment.

Financial resources are very strained this year. After repeated study, however, the provincial party committee and government decided to set forth two targets. 1) The provincial-level budgetary investment in agricultural capital construction increases by 31 percent over last year, and 2) the provincial-level budgetary increase of funds in support of agricultural production is arranged at a rate slightly higher than the increase in the revenues last year, and all prefectures, cities, and counties should also increase their agricultural investment accordingly. Finance departments at all levels should raise funds from various quarters to continuously expand the circulating funds for expenditures to particularly support the production and processing of grain, cotton, and oil-bearing crops. They should also raise supporting funds and bring in more state funds and foreign funds. Agricultural development departments should achieve a new breakthrough in increasing the funds for comprehensive agricultural development and for the ecological projects for the agriculture in the upland areas and in increasing foreign funds. Monetary departments should expand agricultural loans continuously to ensure the supplies of funds. Agricultural banks and credit cooperatives should use most parts of the increased amounts of their loans in agriculture. In the provincial credit plan, loans for agricultural production and for the circulation of farm products should be listed and managed separately. The province as well as prefectures, cities, and counties should seize the time to enforce relevant central and provincial regulations, improve the agricultural development fund system at every level, and strengthen supervision to make sure that all the funds are used in agriculture and agricultural socialized service networks, of which 50 percent are used to support grain and cotton production. [passage omitted]

Tianjin To Hold Sixth Party Congress in May

SK0303053693 Tianjin People's Radio in Mandarin
2300 GMT 2 Mar 93

[Text] The 13th plenary session of the Fifth Tianjin Municipal CPC Committee decided on 2 March to hold the sixth municipal party congress in May.

Present at the session were 43 members and six alternate members of the municipal party committee. Members of the municipal advisory committee and the municipal discipline inspection commission attended the session as non-voting delegates. Nie Bichu, acting secretary of the municipal party committee, chaired the session. Leading comrades Zhang Lichang, Wang Xudong, Li Jianguo, Wu Zhen, Liu Jinfeng, Yang Huijie, Yang Jingheng, Yang Zhihua, Lu Xuezheng, Liu Fengyan, and Huang Fengyou were seated on the rostrum.

The plenary session discussed and approved the resolution on convening the sixth municipal party congress.

Nie Bichu made a speech at the conclusion of the session.

He pointed out: The sixth party congress is an extremely important meeting. This congress will take Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics as guidance, deeply implement the guidelines of the 14th party congress, conscientiously sum up the work of the municipal party committee done since the fifth municipal party congress, discuss and formulate the municipality's major tasks for speeding up economic construction and strengthening construction of socialist spiritual civilization, democracy, and legal system in the next five years, and elect the sixth municipal party committee and the municipal discipline inspection commission.

The plenary session called on the party organizations at various levels and the broad masses of party members in the municipality to act under the leadership of the party Central Committee with Comrade Jiang Zemin as its nucleus, to take the theory on building socialism with Chinese characteristics as guidance, to comprehensively implement the guidelines of the 14th party congress, to persist in the basic line of the party, to unite with all people of the municipality, to further emancipate the mind, to mobilize the people's enthusiasm, to work arduously, to capture a greater victory in socialist modernization, to welcome the convocation of the sixth municipal party congress with concrete deeds.

Tianjin Commemorates Zhou Enlai's Birthday

OW0303152193 Beijing XINHUA in English 1442
GMT 3 Mar 93

[Text] Beijing, March 3 (XINHUA)—A commemorative gathering was held this morning at the Nankai Middle School in Tianjin, China's third biggest metropolis, to mark the 95th anniversary of the birthday of deceased Chinese Premier Zhou Enlai.

Born in Huaian City in eastern Jiangsu Province on March 5, 1898, Zhou spent the better part of his youth in Tianjin engaged in revolutionary activities after attending the Nankai middle school.

After the People's Republic of China was founded in 1949, Zhou, as a deputy from Tianjin, participated in sessions of the National People's Congress and national

congresses of the Communist Party of China. He often visited Tianjin to guide government work there. Zhou himself called Tianjin his "second hometown".

A number of specialists in the study of Zhou Enlai, as well as government and party officials, took part in the gathering today.

Following the ceremony, participants viewed a special television play entitled "Zhou Enlai and Tianjin" and visited a memorial hall display of Zhou's revolutionary activities in Tianjin during his youth.

Northeast Region

Jilin Budget Report for 1992, 1993

SK0503092193 Changchun JILIN RIBAO in Chinese
12 Feb 93 p 2

[Jilin's report on implementation of the 1992 budget and drafting of the 1993 budget, delivered by Li Naijie, director of the provincial financial department, at the first session of the eighth provincial People's Congress on 11 January]

[Text] Fellow deputies:

Entrusted by the provincial people's government, I submit a report on our implementation of the 1992 budget and also submit the draft 1993 budget to the session for examination.

1. Implementation of the 1992 Budget

In 1992, under the leadership of the provincial party committee, all people of the province conscientiously implemented documents No. 2 and No. 4 of the central authorities and the guidelines of the ninth session of the fifth provincial party committee and the working conference of the provincial party committee; emancipated their minds, changed ideas, and sped up the pace of reform and opening up; and promoted a turn from stable economic increase to faster economic development. Although affected by the bad climate, we still reaped a better agricultural harvest. A situation emerged in which the industrial production rate rose rapidly. The economic results from industrial production improved. Construction of key projects and technological transformation were accelerated. The reserve strength for economic development was enhanced. Domestic trade and foreign trade were enlivened and the urban and rural markets were brisk. Along with the rapid development of the national economy, the province overfulfilled the budgeted revenue target, and the expenditures basically ensured the demands for reform, opening up, economic construction, and improvement of the people's livelihood. The results from implementation of the 1992 budget, calculated generally according to the compiled figures in the bulletins of various cities and counties, were as follows:

A. Revenues

The province's revenues were 5,698.85 million yuan, 103.9 percent of the budgeted figure and an increase of 321.03 million yuan or 5.9 percent over the previous year. The main receipts were as follows:

a. Receipts from industrial and commercial taxes came to 4,999.73 million yuan, 102.7 percent of the budgeted figure and an increase of 363.73 million yuan or 7.9 percent over the previous year. Last year, the province maintained a higher industrial production and marketing rate, the market circulation sphere was further expanded, and the tertiary industry underwent rapid development. All this has provided a good material foundation for increasing industrial and commercial taxes. Because the state-adopted policy measures for reducing the supply of crude oil at parity prices and readjusting the tax rates of some key products and the province carried out a series of tax preferential policies to enliven enterprises, tax receipts were temporarily reduced. Thus, the growth rate of industrial and commercial tax receipts was lower than the production and marketing growth rate.

b. Receipts from agricultural tax came to 267.46 million yuan, 109.9 percent of the budgeted figure and an increase of 50.52 million yuan. The increase mainly resulted from the fact that last year, the state increased the grain purchasing price, and the amount of tax reduced and exempted for the victims of disaster was reduced from last year.

c. Receipts from industrial enterprises came to 389.63 million yuan, 94.6 percent of the budgeted figure and a drop of 12.11 million yuan or 3 percent from the previous year. The decrease in the receipts of industrial enterprises was mainly because at the beginning of 1992, the state and the province carried out various policies on enlivening large and medium-sized enterprises; the province reduced, through readjustment, the enterprises' quota for the higher levels by 50 million yuan; and Jilin ferroalloy plant was temporarily allowed to stop handing over taxes to the higher levels, due to the special difficulties in production and management.

d. Receipts from commercial enterprises came to 53.77 million yuan, fulfilling the budgeted figure by 85.8 percent and basically maintaining the figure of last year. In 1992, some commercial wholesale enterprises and food companies reduced marketing volume, increased production cost, reduced profits, and increased deficits. Thus, the commercial enterprises failed to fulfill the task for handing over to the higher levels.

e. Refunds to grain enterprises to cover their deficits reached 609.75 million yuan, 103.3 percent of the budgeted figure and an increase of 80.81 million yuan over the previous year.

Energy and communications key construction funds totaled 50.52 million yuan, equivalent to 113.8 percent of the budget and down 15.8 percent, or 9.45 million

yuan, from the previous year; and the state budget regulating funds totaled 81.51 million yuan, equivalent to 95.2 percent of the budget and down 21 percent, or 21.71 million yuan. The decline in these two categories of funds resulted mainly from the exemption given to some large and medium-sized state-owned enterprises from which depreciation funds were collected.

B. Expenditures

The province's expenditures rose 832.22 million yuan from the previous year to total 8,001.38 million yuan, which equals 92.2 percent of the budget (the reason for the failure in fulfilling the expenditure quota was mainly because some unused expenditures were transferred to the next year for continued use; the same is true for the following cases). Excluding the special grain subsidies allocated for the central authorities and other incomparable factors, the expenditures showed an increase of 8.4 percent in terms of comparable standards. Major items of expenditures are listed as the following:

a. The expenditures on production and construction totaled 1,839.67 million yuan, up 198.51 million yuan, or 12.1 percent, from the previous year. This was mainly because all localities mustered financial resources to increase investment in production and construction to support industrial and agricultural production and accelerate economic construction. Of the total, capital construction allocations came to 497.67 million yuan, equivalent to 94.7 percent of the budget and up 18.1 percent from the previous year; funds for enterprises to tap potential and carry out technical transformation came to 334.62 million yuan, equivalent to 84.9 percent of the budget and up 9.5 percent; funds for the trial production of new products, intermediate experiment, and subsidizing important scientific research came to 91.34 million yuan, equivalent to 88.4 percent of the budget and up 21.9 percent; the expenditures on city maintenance came to 330.66 million yuan, equivalent to 93.1 percent of the budget and remaining the same as in the previous year; and the expenditures to support rural production came to 253.58 million yuan, equivalent to 87.3 percent of the budget and up 11.1 percent from the previous year.

b. Operating funds for various administrative purposes totaled 4,338.85 million yuan, up 629.41 million yuan, or 17 percent, from the previous year. This was mainly because of the increase in the seniority allowance, bonus, post allowance, subsidies for retired personnel, and allowance for official trips. Of the total, operating funds for culture, education, and public health came to 1,925.82 million yuan, equivalent to 97.7 percent of the budget and up 15.5 percent from the previous year; operating funds for science came to 85.37 million yuan, equivalent to 95.3 percent of the budget and up 12.7 percent; operating funds for agriculture, forestry, and water conservancy projects came to 327.40 million yuan, equivalent to 96.2 percent of the budget and up 15.4 percent; pensions and social welfare and relief funds came to 184.51 million yuan, equivalent to 84.1 percent

of the budget and up 14.4 percent; administrative funds came to 726.11 million yuan, equivalent to 98.1 percent of the budget and up 19.9 percent; and expenses on public security, procuratorial, and judicial organs came to 322.12 million yuan, equivalent to 97.5 percent of the budget and up 19.8 percent.

c. Subsidies of various categories totaled 1,721.58 million yuan, of which 1,414.07 million yuan were special grain subsidies allocated for the central authorities, and 307.51 million yuan were price subsidies arranged by the province, which showed a decline of 348.76 million yuan, or 53.1 percent, from the previous year. The decrease in the price subsidies mainly resulted from the expanded reform measures. Of the total, price subsidies for meat came to 127.08 million yuan, equivalent to 99.8 percent of the budget and down 34.2 percent from the previous year; price difference subsidies for the coal for civilian use came to 113.10 million yuan, equivalent to 100 percent of the budget and down 31 percent; price subsidies for vegetables came to 23.70 million yuan, equivalent to 100 percent of the budget and down 30.8 percent; and price subsidies for white spirit, chemical fertilizer, and plastic sheets for farm use declined 3.7 percent to 43.63 million yuan, which equals 92.9 percent of the budget.

d. The spending on environmental protection and water resources was 101.28 million yuan, a 56.1 percent increase over 1991; and the additional spending on education was 56.8 million yuan, a 3.8 percent decrease over 1991.

C. The Balance Situation

The province's 1992 accounts showed an unfavorable balance of 119.75 million yuan. Of this deficit, the amount left over from 1991 at the provincial level reached 2.17 million yuan and the part left over from 1991 among 33 cities and counties reached 20.09 million yuan. Seventeen cities and counties suffered a deficit of 142.01 million yuan in the year.

Along with the stable development of the national economy in 1992, the province gradually achieved a turn for the better in economic results; maintained a certain increase in its financial revenues; and showed a 200 million yuan increase over the budget formulated at the beginning of the year. However, the surplus revenues did not balance out the surplus expenditures, because the new policies and measures issued by the state and the provincial authorities increased financial spending. According to the calculation, more than 300 million yuan was spent on giving subsidies to staff members and workers for the price hikes of grain and oil-bearing seeds approved by the state and the provincial authorities; on giving living subsidies to retired personnel; on granting funds to upgrade the standards of awards, wages, and travel per diem; and on giving subsidies to staff members and workers for the price hikes of coal and gas. Under such a situation, the province still suffered a deficit of 120 million yuan, as we had both additional revenues

and expenditures. In facing the serious situation of revenue shortage and the prominent contradiction between fund supply and demand during the implementation of the budget, party committees and governments at all levels as well as the people's congress attached all the more importance to financial work; enhanced their leadership; and studied and dealt with the problems occurring in their work in a timely manner. Various industries and trades as well as departments adopted every possible way and means to broaden the sources of income and reduce expenditures and to tap their potential to a maximum. Financial and tax affairs departments and banks at all levels coordinated closely with one another, vigorously organized the revenues, and conducted strict control over expenditures. It was not so easy for them to score such results in implementing the budget under the situation in which there were more factors of increasing expenses and reducing revenues in 1992. In implementing the budget in 1992, governments and relevant departments at all levels fulfilled the following tasks:

1. We actively raised financial resources to support or accelerate the reform and opening up.

In 1992 localities actively raised financial resources and vigorously increased the funds of supporting reform and broadening the opening. They supported the reform with the main work of encouraging enterprises to shift their business mechanism and enforced a series of policies and measures of boosting enterprises. The provincial financial department released 120 million yuan of financial resources and appropriated 30 million yuan of additional circulation funds and 30 million yuan of additional subsidies for the interest of loans to support enterprises to shift their business mechanism and to reinforce their capability of self development. It also supported the development of the export-oriented economy in the key open zones of Changchun and Hunchun, delegated a number of financial managerial rights at the provincial level to the zones, and invested 5.5 million yuan in building infrastructures for them to invite business and introduce outside capital. It even supported the commercial reform with the main work of establishing market systems and released 20 million yuan for building the provincial corn wholesale market, the Meihokou rice wholesale market, and the Taipingchuan sunflower seed and sunflower seed oil wholesale market. It also assisted the state-run foodstuff enterprises and vegetable enterprises in 47 cities and counties to shift their production direction and to make job arrangements for more than 6,000 surplus personnel. The provincial financial department also supported the reform in the systems of grain business and management and released 10 million yuan to help grain enterprises improve their production conditions, develop the diversified economy, and reinforce their capability of being responsible for their own profits and losses. It moreover supported the reform in the systems of wages, housing affairs, and social security; participated in the pilot work of establishing shareholding systems; formulated the

corresponding managerial methods of property and financial affairs; and ensured the smooth progress of various reforms.

2. We strove to increase the input of funds and improved and accelerated economic development.

We conscientiously implemented the central decision on strengthening agriculture, raised funds through various channels, and increased agricultural input. During the year we issued 746.44 million yuan, up 11.4 percent, for supporting the improvement of agricultural production conditions, developing diversified undertakings and building the socialized service system. In addition, we also introduced \$27 million in foreign exchange, issued 10 million yuan of financial supporting funds, and raised more than 30 million yuan for agricultural comprehensive development in the whole province so as to accelerate the pace of agricultural comprehensive development. All localities gave prominence to promoting enterprise technological progress and technological transformation, and increased investments in industrial production. In supporting enterprise technological progress, we issued 14 policy measures for promoting the conversion of scientific research findings; opened up business on making special investments in developing, digesting, and absorbing new products; issued 17.5 million yuan for this purpose; established banks for storing scientific research findings; and by organizing activities on inviting public biddings and determining the bidders for the provincial scientific and technological projects, created conditions for transferring scientific research findings to enterprises. We issued 293 million yuan for supporting enterprise technological transformation. Of this, 103 million yuan were used for supporting the building of key projects including the 300,000-ton ethylene project and the 300,000-ton synthetic ammonia project of Jilin Chemical Industrial Company.

3. We tried by all possible means to organize financial revenue and actively cultivated successive financial resources.

Party and government leaders at all levels included financial work on their agenda, promptly coordinated with departments concerned to handle the existing problems emerging in the course of implementing the budgets, and implemented the system of assigning each level to attain certain financial revenue targets. Many enterprises gave consideration to the interest of the state, took initiative in sharing difficulties, and strove to fulfill all state delivery tasks. The tax departments conscientiously performed their duties, actively promoted production and increased revenues, strictly controlled tax reduction and exemption, conscientiously investigated tax evasion and recovered tax payments, and overfulfilled the task of collecting industrial and commercial taxes. The financial, tax, and banking departments maintained close coordination, actively cleared up the default of tax payments of enterprises, and reduced the default of payment to the minimum. All localities stepped up

efforts to organize and implement the financial development plan and strove to cultivate successive financial resources. In line with the demand of the task of pushing the economy to a new stage, we readjusted the financial revenue fighting objective; issued 20 million yuan of special funds for designated places for implementing the financial development plan; gave priority to supporting 54 projects; and guaranteed the needs for major expenses.

4. We rationally arranged funds for guaranteeing the needs of major expenses.

Last year, under a fairly difficult financial situation, all localities gave priority to supporting the development of educational, scientific, and technological work and continued to maintain a substantial increase in the input of educational funds. The province's financial expenditures on the educational and the scientific and technological sectors were respectively 1,489,750,000 yuan and 178,400 million yuan, an increase of 175.220 million yuan or 13.3 percent, and 26.43 million yuan or 17.4 percent over the previous year, exceeding the growth of the total financial expenditures by 4.9 percent and 9 percent, respectively. The expenditures on educational work were mainly used for supporting the improvement of teaching conditions and raising teaching quality, including the construction of 553,000 square meters of new school buildings and 143,000 square meters of residential houses for teachers. The expenditures on scientific and technological work were mainly used for supporting basic scientific research, tackling difficult scientific and technological projects, developing high technology, and converting scientific and technological findings. Certainly, the input of funds for educational, scientific, and technological work was far from meeting the demand of the development work. In the future, along with the gradual improvements in financial situation, we will continue to increase input in these two aspects.

5. We strictly controlled expenditures and strove to reduce financial burdens.

From the beginning of last year, revenues were reduced with each passing month. But, expenditures increased at a faster speed. The contradictions between supply and demand of capital were extremely prominent. To this end, last July, the provincial government issued an emergency circular on strictly controlling expenditures, urging all localities to adopt measures to prevent expenditures from getting out of control. Last August, the province held a financial work conference to sum up and exchange some localities' typical experiences in increasing revenues and reducing expenditures. Last October, the province also held a telephone conference on "grasping the work of increasing revenues and reducing expenditures in the last two months and striving to balance revenues and expenditures." Simultaneously, the conference urged that while firmly attending to organizing revenues, all localities should persistently be diligent, practice the economy, strictly

control expenditures, and stop wasteful spending that exceeds financial bearing capacity. Last November, the province also issued an "Emergency Circular on Strictly Controlling Year-End Reckless Spending." In line with reality, all localities adopted many measures for controlling and reducing expenditures. According to the ideology of changing functions for "small organizations and large-scale service," some localities boldly carried out, on a trial basis, various organizational reform measures, such as shift organizational functions, merging with others, abolishing organizations, encouraging surplus staff to engage in business, and reducing staff. Through reform, organizations not only improved their work efficiency but also reduced their financial burdens. Simultaneously, some management methods were worked out to solve the problems of the increasing expense of sedan cars, meetings, and supplying heat. Through the implementation of effective measures, the expenses on nonproductive projects and on the projects other than key projects were under reasonable control.

6. We intensified financial management and increased economic results.

Last year, all localities paid attention to improving financial management and supervision forms and methods. First, we conscientiously implemented the provincial government's 10 policy measures for halting deficits and increasing profits, strengthened the degree of the deficit-halting and profit-increasing work, and effectively brought the trend of increasing deficits under control. According to the bulletin statistics, the amount of deficits generated by industrial enterprises declined by 220 million yuan or 34.4 percent from the previous year and the number of money-losing enterprises dropped by 11.6 percent. Thus, the deficit-halting targets fixed by the state and the province were well fulfilled. If subsidies were deducted, the amounts of deficits by commercial enterprises were reduced by 33.09 million or 18.8 percent from the previous year. Second, we cleared up and examined the extrabudgetary funds of administrative units and institutions. Thus, the problems of paying taxes not according to regulations were corrected, and the savings accounts especially for administrative units and institutions were expanded with a surplus sum of 260 million yuan, an increase of 28.7 percent over the previous year. About 80.3 percent of the administrative units and institutions had savings accounts, an increase of 4.3 percentage point. Third, we concentratively conducted general financial, price, and tax inspections. Undisciplined cases involving 146 million yuan were investigated, including 80 million yuan of funds that should have been handed over to finance and 50 million yuan of funds that were handed over to finance. Fourth, the province carried out the work of registering the state property rights and assessing the value of state property and established and perfected the markets for transferring the possession of property rights. The property valued at 1.43 billion yuan was assessed during the year, the average value increase came to 24 percent, and 40 million yuan of assets that had been left unused were

disposed. This helped reasonably circulate and increase the value of the state property. In line with the problems that the masses have great complaints, we also organized forces to clear up the phenomena of being arbitrarily assessed, wantonly collecting funds, imposing fines, and apportioning expenses.

The major problems occurring in the course of implementing the 1992 budget were as follows: First, the economic results were not so high. Along with the increase in industrial production and the expansion of marketing scale, enterprises' profits appropriately increased and the economic results were improved. However, conditioned by various factors, the overall economic results were not so high and the increase in revenues were affected. The budgetary industrial enterprises across the province suffered 424 billion yuan of deficits, and the money-losing enterprises amounted to 25 percent. After being subsidized, the commercial enterprises suffered 100 million yuan in deficits. The forest industrial enterprises suffered a deficit of 20 million yuan. The targets for the profit and tax rate of output value, sales, and capital increased but were still lower than the national average levels. Second, there were increasingly more personnel enjoying financial support. The preliminary calculation indicated that by the end of 1992, 900,000 people at administrative units and institutions were provided by the provincial financial department, an increase of more than 20,000 people over the previous year; and personnel expenses increased by more than 100 million yuan. Third, some cities and counties' financial difficulties became intensified. Last year, with weak industrial foundation, poor economic results, and slight increases in revenues, some counties with financial difficulties could not digest the new spending increase factors and suffered larger amounts of deficits. In implementing the budget, some cities and counties could not pay wages on schedule and some townships (towns) even failed to pay wages for several months running. Fourth, some localities, departments, and units failed to strictly control the expenditures. On the one hand, they suffered extremely strained financial difficulties; on the other hand, they spent money beyond their financial bearing capacity, opted for ostentation and extravagance, and wantonly used capital to purchase sedan cars and modernized office facilities. The number of commodities whose purchases by social institutions are under special control increased by more than 20 percent. Some enterprises and individually run industrial and commercial households evaded taxes and were in arrears with tax payments. Some units rose spending quotas by themselves. Some wantonly gave bonuses, subsidies, and materials. We should pay high attention to these problems and realistically solve them.

2. Draft 1993 Budget

According to the state requirements and in line with the provincial actual conditions, the guiding ideology for arranging the draft 1993 budget follows: According to the requirements for setting up the socialist commodity

economic system, we should continue to support state-owned enterprises, particularly large and medium-sized enterprises, to change managerial mechanism; positively support the development of the tertiary industry, town and township enterprises, and the export-oriented economy; strive to increase economic results; and ensure a stable increase in revenues; appropriately increase the input to agriculture, education, and science and technology; reduce the expenses on nonproductive projects; handle affairs persistently according to our financial bearing capacity; ensure a balance between revenues and expenditures; and promote the realization of various targets for elevating the economy to a new stage. We worked out the draft 1993 budget according to the above-mentioned principles.

A. Revenues

The province's 1993 revenues are set at 6,154.8 million yuan, an increase of 455.95 million yuan or 8 percent over the previous year. Of this:

- a. Receipts from industrial and commercial taxes are set at 5,449.7 million yuan, an increase of 449.97 million yuan or 9 percent over the previous year.
- b. Receipts from agricultural taxes are set at 205.06 million yuan, maintaining the figure of 1992.
- c. Receipts from industrial enterprises are set at 425.9 million yuan, an increase of 36.27 million yuan or 6 percent over 1992. This figure is set according to the industrial enterprises' 1993 contracted task for handing over taxes and profits to higher levels.
- d. The revenues from commercial enterprises are set for 57 million yuan, up 3.23 million yuan, or 6 percent, from the previous year. This was set in line with this year's contracted quotas.
- e. Refunds to loss-making grain enterprises are set at 590 million yuan, remaining the same as last year.
- f. The local shares of the energy and communications key construction funds and the state budget regulating funds have been set at 50.52 million yuan and 81.51 million yuan, respectively, both the same as in the previous year.

B. Expenditures

The provincial expenditure budget for 1993 is set at 6,294.25 million yuan. This budget shows an increase of 339.38 million yuan, or 5.7 percent, from expenditures used in the province in the previous year (these expenditures do not include special purpose additional lump sum payments to the state; the same applies in the the following cases). The expenditures break down into the following:

- a. Capital construction allocations total 251.1 million yuan, up 8 percent from the previous year.

b. Funds for enterprises to tap potential and conduct technical transformation total 259.02 million, remaining the same as in the previous year.

c. Funds for the trial production of new products, intermediate experiments, and subsidizing important scientific research total 81 million yuan, up 6.6 percent.

d. Circulating funds total 30 million yuan, the same as in the previous year.

e. Expenses to support rural production total 227.98 million yuan, up 8.8 percent.

f. City maintenance funds total 306.1 million yuan, an increase of 20 million yuan over the urban construction tax.

g. The operating funds for culture, education, and public health total 1,981.05 million yuan, up 6.1 percent. Of the total, those for education total 1,217.3 million yuan, up 6.2 percent.

h. The operating funds for scientific undertakings total 86.7 million yuan, up 6 percent.

i. Administrative funds total 618.76 million yuan, the same as in the previous year.

j. Price subsidies stand at 454.65 million yuan, down 6.9 percent. Of the total, price subsidies for meat are 127.1 million yuan, the same as in the previous year; those for vegetables are 9 million yuan, down 50 percent; and those for the coal for civilian use are 90 million yuan, down 18.2 percent.

k. Funds for debt repayment, a new expenditure item, total 20 million yuan.

l. Expenses for other purposes total 168.23 million yuan, down 51.9 percent.

m. Total reserve funds are 185.4 million yuan, which account for 3 percent of the total expenditures.

The aforementioned expenditures to be used in the province plus the unused expenditures of the previous year to be transferred to this year for continued use and the special purpose additional lump sum payments to the state (calculated at the same level as in the previous year) bring the province's total expenditures to approximately 8.4 billion yuan.

This year, the state assigns the province 799 million yuan worth of state treasury bonds to issue.

This year's budget is arranged to meet the target of pushing the economy up to a new stage. It is positive and not too tight, because we are leaving room for both the revenue-increasing factors, such as production increase, expanded circulation, improved efficiency, and strengthened tax collection, and the revenue-reducing factors, such as support to enterprise development. In arranging the expenditures, we are giving particular consideration to needs for increasing funds for reform and various policy purposes and set increases for expenditures on

agriculture, education, and science and technology. This year's revenue and expenditure budget can be fulfilled as long as we firmly rely on the correct leadership of the party committees at all levels and mobilize the people of various nationalities across the province to practice economy, increase revenues, and reduce expenditures.

3. Deepen Reform, Increase Revenues, Reduce Expenditures, Improve Efficiency, and Strive To Fulfill the 1993 Budget Successfully

To fulfill this year's budget, we should achieve success in the following work.

A. Focusing on establishing the new system of the socialist market economy, we should expand financial reform.

Based on the requirement for developing the socialist market economy, we should accelerate financial reform and gradually establish a financial operating mechanism compatible with the development of the socialist market economy. First, we should improve the current financial management system and balance the relations between the province and cities and counties in terms of distribution. To boost the enthusiasm of cities and counties for increasing revenues and reducing expenditures, we should take necessary measures to improve the current financial system, properly lower the percentage of the revenues that cities and counties should turn over to higher authorities, and continue to give proper subsidies to the counties (cities) which lack financial resources and need subsidies. Second, we should institute the method of separation of taxes and profits, after-tax loan repayment, and after-tax profit distribution to better balance the relations between the state and enterprises in terms of distribution. We should conscientiously summarize the experiences of the units experimenting with the method of separation of taxes and profits, select more state-owned industrial enterprises to experiment with this method, and gradually extend it to other trades. Third, we should deepen the reform of the management of state property to straighten out relations between various sectors in terms of property rights. We should establish the capital system in enterprises and the methods for the management of the capital. We should conscientiously take inventory of state property and verify capital and do a good job in determining the property rights to make sure that state property is not damaged. Fourth, in coordination with the reform of the state financial and accounting systems, we should make good preparations for enforcing the "General Rules on Enterprise Finance" and "Guiding Rules on Enterprise Accounting" and enable them to play a role in promoting enterprises' competition on an equal footing and in accelerating the development of the socialist market economy. In line with the principle of dividing the burden among the state, the collective, and the individual in a reasonable manner, we should achieve success in the reform of the housing, wage, and social insurance systems.

B. Focusing on the target of pushing the economy up to a new stage, we should strive to increase money investment.

To ensure that the target of pushing the economy up to a new stage is reached, we should broaden the channels for raising funds and strive to invest more money in economic development. We should broaden the channels for raising funds to support agriculture and make active efforts to use extra-budgetary funds, foreign funds, and funds from other sources to increase the total investment in agriculture. Such funds should be invested in township enterprises on a priority basis. We should support a number of backbone enterprises which play a leading role so that they will guide and promote township enterprises to raise their level, improve efficiency, and enliven the rural economy in all sectors. We should concentrate efforts on comprehensive agricultural development to promote high-yield, good-quality, and high-efficiency agriculture.

After selection, we should stock up on a group of scientific and technological achievements which can play a strong leading role, are of high standards, and can yield notable social benefit. We should adopt effective policies and measures to support their application to the field of production. We should promote ties with the World Bank and other international monetary organizations, draw in and use foreign funds from various channels and through various measures, support the development of the three types of foreign-funded enterprises, and support the construction of development zones and open zones and the development of the export-oriented economy. We should promote commerce, banking, tourism, and accounting and auditing consultation business and establish the social security system, with the emphasis on supporting the tertiary industry. In the localities where conditions permit, we should establish and support the tertiary industry development foundations and use and roll over the funds to increase them exponentially to particularly support the basic trades and key projects of the tertiary industry as listed in the Eighth Five-Year Plan and the 10-year program.

C. Go all out to achieve the work of increasing revenues and reducing expenditures so as to ensure a balance between revenues and expenditures.

Striking a balance between revenues and expenditures is a matter related to the overall situation of stabilizing the society as a whole and elevating the economy to a new stage. Proceeding from this overall situation, we should appropriately arrange revenues and expenditures, try our best to tap potential for increasing revenues, strictly control expenditures, and strive to strike a balance between revenues and expenditures. We should pay prominent attention to collecting taxes from the enterprises that should pay larger amounts of profits and taxes, vigorously launch the campaign of promoting production and increasing tax and profit payments, and ensure the fulfillment of contracted tax and profit collection task. We should administer tax affairs persistently according to laws and ban the reduction and

exemption of taxes beyond the authorities. Those whose tax reduction and exemption period expires should immediately restore their tax payments. We should strictly carry out the overdue fine payment system in order to prevent enterprises from being in arrears with tax payment. We should strengthen the management of the collection of "four agricultural taxes," energy resource and communications funds, budget regulatory funds, and various receipts from penalties and confiscation; and end the phenomena of wantonly going beyond authorities to reduce, evade, and remit taxes. We should maintain and carry forward the fine tradition of waging an arduous struggle, being diligent, and practicing economy; and persistently keep expenditures within the limits of income. On the premise of ensuring the absolutely necessary expenditures, we should keep expenditures within the limits of our financial capacity. Leading cadres at various levels and party and government organs should play an exemplary role and take the lead in reducing various expenses. We should arrange various expenses according to the budget. We must neither wantonly arrange funds nor arrange extra-budgetary expenditures. We should continue to popularize the method for management of the size of administrative organizations and their expenses and the method for management of the income and allocations of institutions. We should support the departments and units that have changed their functions into economic entities and help them enhance the capability to create revenues and take the path of making self-development. We should continue to strictly control the purchasing power of institutions and strictly examine and approve the purchasing of the commodities under special control by the counties with financial deficits, money-losing enterprises, administrative units, and institutions.

D. Positively carry out the financial development plan with a view to cultivating reserve financial resources.

The development of financial resources with the main objects of realizing the provincial target for elevating the economy to a new stage and firmly grasping the implementation of the financial development plan is of extreme importance. First, we should consolidate and develop key financial resources. On the basis of the existing foundation, we should allocate more funds to and work out preferential policies for enterprises with larger amounts of profits and taxes which in turn will have a great impact on the overall revenue situation; reasonably arrange technological transformation funds, new product development funds, and new and high technology development funds; ensure the allocations to 100 large and medium-sized enterprises for technological transformation; promote technological progress and the readjustment of the product mix; and strengthen the reserve strength for development. We should set our sights on the long-term interests; adopt various channels to collect funds in the province, bring in capital from foreign countries, and enliven the use of capital; collect funds for the construction of the 10 key projects covered in the Eighth Five-Year Plan; and increase and pioneer

new financial growth points. Second, we should strive to pioneer new financial resources. We should regard the assistance to the development of the nonpublic sectors of the economy as a key measure for making the province and the people rich; appropriately adopt preferential policies to support the development of the individual and private sectors of the economy and the foreign-funded economy; and increase the portion of revenues offered by the nonpublic sectors of the economy. Third, we should positively develop reserve financial resources. We should coordinate strengthening the organizational leadership over the implementation of the financial development plan, further place work priorities in prominent positions, expand the degree of priorities in arrangement of capital and the degree of preferential policies, and strive to have another one or two counties (cities) stand among the rank of counties with 100 million yuan of revenues and have increasingly more counties (cities) remove the need for subsidies.

E. We should strengthen measures for ending deficits and increasing profits on the basis of raising economic efficiency.

The fairly large volume of deficits and the low economic efficiency are the factors restricting the realization of the objective of pushing the economy to a new stage and improving the financial situation. We should further expand measures and do a good job in ending deficits and increasing profits. First, we should change enterprise operational mechanism to promote the work of ending deficits and increasing profits. On the basis of implementing the "Regulation," we should conduct experiments on decontrolling business and changing operational mechanism in some selected money-losing enterprises and enable them to assume sole responsibility for their own profits and losses under the condition of independent operation. It is necessary to further relax policy restrictions on money-losing enterprises, allow them to test the shareholding operational system, encourage them to shift to the tertiary industry, and support them to link up with or depend on the three types of foreign-funded enterprises. Second, we should use structural readjustment to promote the work of ending deficits and increasing profits. In line with the principle of supporting a batch of enterprises, helping some of them change operational mechanism, grafting them with other enterprises or stopping the operation of some enterprises, we should firmly adopt resolute measures for readjusting the organizational structure of enterprises in an effort to fundamentally end the enterprise deficits. Third, we should use scientific and technological progress to promote the work of ending deficits and increasing profits. We should serve as a bridge for money-losing enterprises, introduce advanced technology and managerial methods, and instill new vitality into enterprises. Efforts should be made to encourage scientific research units to cooperate with money-losing enterprises, give play to the scientific and technological advantages, and help enterprises develop new products. Fourth, we should strengthen management to promote

the work of ending deficits and increasing profits. It is necessary to help enterprises strengthen quality, cost management and financial accounting, strengthen management over the essential production factors, and increase economic efficiency by keeping the eyes inward and tapping internal potential.

F. We should improve the financial management and supervision pattern on the basis of changing the operational mechanism of enterprises.

To meet the needs of changing enterprise operational mechanism and pushing enterprises to the market, we should change the pattern of managing enterprise operation and financial activity formed under the planned system, and change the practice from mainly directly managing financial affairs with administrative means to mainly managing financial affairs indirectly with economic means. In line with the principle of "separating government functions from business administration, changing functions, and exercising control over the macroeconomy while relaxing control over the microeconomy," we should further delegate project examination and approval powers to the lower level, simplify management formalities, reduce working procedures, and promote the practice of doing business independently, assuming sole responsibility for one's own profits and losses, seeking self-development, and setting self-restrictions among enterprises. It is necessary to further improve the contract management responsibility system, popularize the shareholding system in selected units, and explore a new pattern of building an enterprise interest mechanism. We should pay attention to and develop the accounting business, establish and improve the system of supervising the registered accountants and making them render standardized services for enterprises, link enterprise financial management system with the international financial accounting system, strengthen management of extra-budgetary funds, correctly guide the use of funds, and improve the efficiency of using the funds. In conducting financial supervision and inspection, in addition to investigating and handling violations of financial and economic discipline, we should also help enterprises strengthen management, stop the loopholes, and promote the implementation of all policy measures for successfully running enterprises and improving the economy.

Liaoning Elects Congress Chairman, Governor

OW0403143993 Beijing XINHUA Domestic Service in Chinese 1347 GMT 4 Mar 93

[By reporter Wei Yunheng (7614 6663 0077)]

[Text] Shenyang, 4 Mar (XINHUA)—At the first session of the Eighth Liaoning Provincial People's Congress which ended today, Quan Shuren was elected chairman of the Standing Committee of the Provincial People's Congress and Yue Qifeng was elected Liaoning provincial Governor.

At the first session of the Seventh Liaoning Provincial Committee of the Chinese People's Political Consultative Conference [CPPCC] which ended yesterday, Sun Qi was elected chairman of the provincial CPPCC Committee.

Elects New Officials

SK0503052393 *Shenyang Liaoning People's Radio Network in Mandarin 1000 GMT 4 Mar 93*

[Text] The eighth provincial people's congress held its fourth plenary meeting this afternoon. The meeting was presided over by Tang Hongguang.

The executive chairmen of today's meeting included Quan Shuren, Yue Qifeng, Wang Guangzhong, Sun Qi, Shang Wen, Cao Bochun, Tang Hongguang, Feng Yousong, Zhang Zhiyuan, Cui Ronghan, Cheng Jinxiang, Li Jun, Yu Xiling, Chen Shizhi, Bi Xizhen, and Gao Jizhong. Voting by means of secret ballot, the meeting elected Quan Shuren as chairman of the provincial People's Congress Standing Committee; Yue Qifeng as governor of the provincial people's government; Yu Xiling, Bi Xizhen, Feng Yousong, Gao Jizhong, Chen Shuzhi, Li Jun, Qi Zheng, and Xu Tingsheng, as vice chairmen of the provincial People's Congress Standing

Committee; Hu Jiyan as secretary general of the provincial People's Congress Standing Committee; and Wen Shizhen, Zhang Rongmao, Cong Zhenglong, Guo Tingbao, Xiao Zuofu, Gao Guozhu, and Zhang Lingyun as vice governors of the provincial people's government. The meeting also elected Zhang Huanwen as president of the provincial People's Court; and Yang Yeqin as chief procurator of the provincial People's Procuratorate. The president of the provincial People's Court and chief procurator of the provincial People's Procuratorate will be submitted to the National People's Congress Standing Committee for approval.

Correction to Liaoning Secretary on Lei Feng

SK0403052193

The following correction pertains to the item headlined "Liaoning Secretary on Learning From Lei Feng," published in the 3 March China DAILY REPORT, page 79:

Column two, second full paragraph, third sentence, make read: ...region's political department; Ma Chi, political commissar of the Shenyang Military Region Air Force; and leading comrades... (correcting name and changing wording)

U.S. Trade Representative Arrives for Visit

OW0503110293 Taipei CNA in English 0843 GMT
5 Mar 93

[Text] Taipei, March 5 (CNA)—Doug Newkirk, assistant US Trade Representative for GATT affairs, flew into Taipei Wednesday [4 March] to open two days of talks here on Taiwan's bid to join the General Agreement on Tariffs and Trade.

Newkirk, whose visit here followed his trip to the China mainland, is the highest ranking American official to visit Taiwan since President Clinton assumed office on Jan. 20.

During his stay in Taipei, the US official will exchange views with his counterparts here on the progress of Taiwan's preparations for accession to the Geneva-based world trade regulating body. He will leave on March 7.

Taiwan, which applied to enter GATT in January 1990, was admitted as an observer last September.

Economic Affairs Minister P.K. Chiang said that Newkirk's visit will be conducive to Taiwan's membership application to the 105-member world organization.

Noting that a GATT working party is scheduled to open a meeting on April 15 to screen Taiwan's application, the minister pointed out that the body's 16 contracting parties have raised as many as 470 questions about Taiwan's trade policies and practices, of which more than 100 came from the United States.

Official admission calls for the approval by two-thirds of GATT members.

Canadian Minister Addresses Luncheon Meeting

OW0503110893 Taipei CNA in English 0902 GMT
5 Mar 93

[Text] Taipei, March 5 (CNA)—Canadian Minister of Energy, Mines and Resources Bill McKnight said Thursday [4 March] that he was most impressed by the openness of the ministers he has met and the business sector's interest in economic cooperation on his first visit to the Republic of China [ROC].

Minister McKnight is heading a 25-member trade mission on a four-day visit here.

Invited to address a luncheon hosted by the Canadian Society of Taiwan, Minister McKnight said that "Canada sees great potential for its growing economic relationship with the Pacific rim." He noted also that his country has been well aware of the increasingly entwined economies of Taiwan, southern China and Hong Kong.

Affirming Canada's free trade policies, Minister McKnight said that Canada has been very supportive of Taiwan's application to join the General Agreement on

Tariffs and Trade (GATT). He also disclosed that "there will be an agreement of a commercial nature" between the two nations.

Despite a world-wide economic downturn, two-way trade between the Republic of China and Canada continued to expand in the past years. In 1991, the trade figure amounted to 3 billion Canadian dollars.

Minister McKnight pointed out that there existed a wide spectrum of economic cooperation opportunities between Taiwan and Canada. In addition to exporting coking coal to Taiwan, Canada is also interested in providing Taiwan with its advanced coal-fired power plant technology.

He added that the Canadian Government now allowed more foreign ownership in oil and gas exploration and development projects. Members of minister McKnight's mission have met with executives of the Chinese Petroleum Corporation to discuss possibilities of future cooperation.

As minister of resources and former minister of agriculture, McKnight attended a Canadian beef promotion in Taipei Wednesday. Taiwan imports many processed and unprocessed food products, such as wheat, beef, seafood, fruit juices, beer and Canadian whisky.

Noting that Chinese has become the third largest language group in Canada, Minister McKnight said he was looking forward to a better partnership with Taiwan. He said that during his visit he has been able to increase his personal understanding of Taiwan a great deal.

"I am happy to note that your country is living up to the high expectations I had of a world-class economy, driven by tremendous entrepreneurial spirit and sound economic policies," the minister said.

Minister McKnight called at the Minister of Transportation and Communications Liu Chao-shiuan this afternoon. He forwarded an invitation of the Canadian business sector to the minister to attend a meeting scheduled for May 2-4 in Toronto.

The Canadian trade mission will leave Taipei for Seoul on Friday.

Paper Says France To Provide Submarines, Weapons

HK0503084093 Hong Kong AFP in English 0828 GMT
5 Mar 93

[Text] Taipei, March 5 (AFP)—France is planning to sell 10 submarines and other weapons to Taiwan, a move which could further provoke Beijing, a long-time rival of the island, the local press reported Friday. The mass-circulation China Times [CHUNG CHI JIH PAO] said France might sell Agosta class submarines currently in service with the French, Spanish and Pakistani navies.

The paper, quoting unnamed defense industry sources, said Taiwan wants to buy 10 submarines and France is

also considering selling Taiwan the latest MU-90 torpedo system and SM-39 anti-submarine missiles. The Agosta class submarine, first built in the mid 1970s, is a diesel-electric vessel with a dive speed of 20 knots. The boats, which can patrol for 45 days, have four torpedo tubes and are capable of firing French-made Exocet anti-ship missiles.

France signed a contract with Taiwan in November to sell 60 Mirage 2000-5 fighter jets, which subsequently led to Beijing's freezing of several contracts with France and the closure of the French consulate in the southern city of Guangzhou. Any sale of submarines is expected to increase tensions between France and Beijing, which views Taiwan as a renegade province and forbids most other countries from forging ties or selling arms to the island.

The Nationalists lost the civil war to the Chinese Communists and were driven off the mainland in 1949. Since then, they have persistently sought foreign weapons to increase their defense capabilities. Taiwan has recently failed to obtain submarines from the Netherlands and Germany, which both backed away from selling arms for fears of damaging relations with China.

Official on Better Ties With UK After 1997

OW0403123493 Taipei CNA in English 0814 GMT
4 Mar 93

[Text] Taipei, March 4 (CNA)—ROC [Republic of China] representative to Britain Raymond Tai Wednesday [3 March] predicted more "prospective and normalized" ROC-UK relations after Peking takes over Hong Kong in 1997.

This is because the British Government will have no longer be constrained [as received] by the sensitive parlay of diplomacy that has been his fate as colonial overseer for Hong Kong, thus giving it a full hand to develop substantive ties with the ROC, said Tai, who is here on a two-week home consultation visit.

Tai pointed out that ROC-UK trade has grown significantly over the past three years to reach US\$3.54 billion in 1992. In addition, over 50,000 ROC tourists visited Britain and 30,000 Britons came to Taiwan last year.

He said that the scheduled establishment of air links between Taipei and London on March 29 is expected to greatly contribute to improving economic and trade, tourist and cultural exchanges between the two nations.

Tai suggested that the two sides in the future enhance technological and cultural cooperation to better their mutual understanding.

Tai said the title of the Anglo-Taiwan Trade Committee in Taipei has failed to fully reflect the fact that it is a UK representative office with multi-functions in issuing visas and promoting ROC-UK tourist and cultural exchanges.

Since the ROC has renamed its representative office in London "Taipei Representative Office in the United Kingdom," Tai suggested the British Government follow suit by changing the committee's name to "The British Representative Office in Taipei."

"Britain regards Taiwan as one of its most important markets and partners", Tai said, quoting British Minister of State for Trade and Industry John Redwood who visited Taipei last year.

"This is the largest change in the British stance (towards Taiwan) in 40 years", said Tai, who is reportedly to get a new assignment as the deputy secretary-general to the president.

He furthered that Britain is the first Western country to send a career diplomat as its representative in Taipei, adding that with London's "Hong Kong concern" going away after 1997, future ROC-UK ties will surely be more promising.

Taipei Records Balance of Payments Deficit

OW0503122193 Taipei CNA in English 0824 GMT
5 Mar 93

[Text] Taipei, March 5 (CNA)—The Republic of China [ROC] recorded a deficit of US\$639 million in balance of international payments in 1992, marking the first yearly deficit in the past 12 years.

Net capital outflow amounted to US\$8.55 billion last year while the current account surplus totaled a mere US\$7.89 billion, according to statistics released by the Central Bank of China (CBC) Thursday [4 March].

The tallies have sent a strong signal that Taiwan is shifting into an era when economic development is to be driven by its massive savings, from previous times which featured the fast accumulation of wealth through exports, CBC Deputy Governor Yu Cheng commented.

The unexpected deficit was largely attributed to the mounting imports for the US\$300 billion six-year national development plan and payments to finance the purchase of 150 F-16s from the United States, CBC analyzed.

The deficit also marked an about-face in the nation's international balance of payments from the preceding year, which still wrote US\$7.3 billion in surplus.

The international balance of payments had a deficit of US\$3.15 billion in the fourth quarter of last year, the largest single-quarter deficit.

The central bank is also alarmed by other statistics. For one, the 1992 current account surplus hit the lowest level since 1984, which the CBC said was apparently an indication of export slowdown.

Taiwan tourists spent US\$7.28 billion abroad last year. After a deduction of US\$2.39 billion worth of tourism

income, Taiwan's tourism expenditures also hit a record deficit of US\$4.95 billion, the CBC pointed out.

Several local economists, however, are not worried about the emergence of the deficit.

Wu Hui-lin, researcher of the Chunghwa Institution for Economic Research, a government-funded economic think tank, shrugged off the phenomena, arguing that the surge of imports, held responsible for the plunge in current account deficit, was mainly for the 1991-96 infrastructure plan.

Chou Tien-cheng, professor of economy at National Chung Hsing University, said he believes that the pace of capital outflow, chiefly for overseas investments, should ease in the coming years.

Trade Surplus Declines in Feb

OW0503121893 Taipei CNA in English 0817 GMT
5 Mar 93

[Text] Taipei, March 5 (CNA)—Taiwan's trade surplus in February dropped to the lowest level in three years, the Ministry of Finance (MOF) said Thursday [4 March].

Quoting customs-clearance trade figures, the ministry reported that exports totaled US\$6.31 billion last month, and imports US\$6.27 billion, thus causing a surplus of only US\$40 million, the lowest monthly level since February 1990 which saw a deficit of US\$300 million.

As compared with the year-earlier levels, the outbound shipments represented a 20.8 percent gain, while the inbound sales went up a hefty 42 percent.

MOF officials cited the Chinese New Year holidays, which fell on Feb. 2-6 last year but in late January this year, as the major reason behind the big trade difference between the two Februaries.

Meanwhile, they attributed the tiny balance of exports over imports in February to the growing domestic demand pushed by the ongoing six-year national development plan.

The surplus with Hong Kong, the entrepot of Taiwan's indirect trade with the China mainland, soared a whopping 79.4 percent from a year ago to US\$1.17 billion in February, and that with the United States shrank 31.1 percent to US\$340 million.

Trade with Europe last month registered US\$140 million in the red in contrast to the US\$300 million surplus a year before.

At the same time, Taiwan suffered a deficit of US\$1.21 billion in trade with Japan, up 65.8 percent.

Outbound industrial products, totaling US\$6.03 billion in February, accounted for 95.6 percent of the month's aggregate exports.

Industrial materials topped the February list of imports at US\$4.38 billion, or 69.9 percent, followed by capital goods (US\$1.07 billion, or 17 percent), and consumer products (US\$820 million, or 13.1 percent).

Asked to comment on the sharp decline in the trade surplus, economic affairs minister P.K. Chiang said that one could not jump to a conclusion on the basis of a single monthly figure.

Ministry Says Mainland Economy Growing Fast

OW0403121493 Taipei CNA in English 0748 GMT
4 Mar 93

[Text] Taipei, March 4 (CNA)—Fast economic growth in Mainland China has emerged as the focus of world attention, the Ministry of Economic Affairs (MOEA) said Wednesday [3 March].

In its latest report on the world economy, the ministry pointed out that the mainland economy grew at an annual rate of 12 percent last year, a spectacular pace as compared to other developing countries.

The double-digit growth has made the mainland one of the world's "hottest" places, it noted.

Mainland-bound foreign investments, which totaled US\$3.2 billion in 1988, jumped to more than US\$4.36 billion in 1991, it added.

Spurred by this brisk expansion, the report said, the coastal area in southeastern Mainland China has exhibited strong signs of economic boom, which in turn has helped shore up the economies in Hong Kong, Macao, and other neighboring countries in the Asia-Pacific region.

By comparison, the former Soviet Union posted a negative 17 percent growth in 1992.

The report said that the US economy is expected to see a moderate 3 percent growth for 1993, and that of Japan will also improve due to the substantial increase in public investments.

The outlook for European countries, which mainly rely on lowering interest rates to stimulate their economies, is not so good.

The report estimated that the domestic economy would rise 6.6 percent this year, citing the improvement of investment willingness and the advance in private consumption as the driving force behind the sustained growth.

Meanwhile, a CNA dispatch from Peking notes that both imports and exports of machinery and electronic products set record highs in the mainland last year.

Quoting statistics released by Peking's Customs Administration, the dispatch pointed out that imports of the two items to the mainland gained 37.9 percent in

US\$34.89 billion in 1992, while exports amounted to US\$19.55 billion, up 37 percent.

Hong Kong topped the list of mainland suppliers at US\$8.38 billion, followed by Japan (US\$8.15 billion), the United States (US\$4.26 billion), Germany (US\$3.03 billion), and Taiwan (US\$2.75 billion).

The mainland's exports of the two items went mainly to Hong Kong, the United States, Japan, Germany, and Taiwan.

PRC Confiscation of Veterans' Assets Discussed

OW0503121793 Taipei CNA in English 0853 GMT
5 Mar 93

[Text] Taipei, March 5 (CNA)—The Republic of China [ROC] Government is concerned about Peking's confiscation of the financial assets of retired ROC servicemen who have resettled in Mainland China, a ranking official said yesterday.

Mainland Affairs Council Chairman Huang Kun-hui said the Straits Exchange Foundation, a quasi-official organization authorized to handle civilian cross-strait exchanges, has received 10-odd cases in which retired servicemen have complained that mainland authorities had confiscated their retirement or relief pensions given by the ROC Government after they resettled on the mainland.

Huang said mainland authorities confiscated such financial assets on the excuse that those retired servicemen were Taiwan's security agents.

"Such allegations are unfounded," Huang stressed. "Peking's move is extremely unfriendly toward us since we have taken many positive steps to promote cross-strait exchanges."

"We hope mainland authorities will handle these cases properly in order to pacify animosity and forge rapprochement between the two sides," Huang noted.

In his report to a weekly cabinet meeting, Huang said Peking authorities have recently set up a "China Unification Promotion Council" to push for China's reunification on their terms.

He noted that Peking has not given up its "one country, two systems" overture and still resists peaceful evolution toward democracy and freedom.

New KMT Alliance Forms 'Political Group'

OW0503121493 Taipei CNA in English 0828 GMT
5 Mar 93

[Text] Taipei, March 5 (CNA)—The New Kuomintang [KMT] Alliance, a non-mainstream KMT faction in the Legislative Yuan, today registered with the Interior Ministry to officially term it a "Political Group".

Director Chun Fu-shan of the ministry's civil affairs department, which is in charge of supervising civil bodies, said he is happy to see the move by the alliance to form a political body.

But Chung said his department will prudently screen the title of the proposed group, "The New Kuomintang Alliance", in accordance with the law before giving its endorsement.

In Chung's view, the new body may (?confuse) its title with that of the Kuomintang with which it is affiliated.

Jaw Shau-kong, a leading member of the group, said the title of new Kuomintang alliance has been known for many years and is not possible to cause confusion.

Former KMT Deputy Secretary-General John Kuan, also a member, said that the alliance, in transforming it into a political group, aims to push for a "systematic democratization" within the KMT rather than split the ruling party.

The alliance is expected to recruit new members outside the legislature after its application is approved by the government.

KMT Plans Nationwide Opinion Poll

OW0503122793 Taipei CNA in English 0848 GMT
5 Mar 93

[Text] Taipei, March 5 (CNA)—The ruling Kuomintang [KMT] will conduct a nationwide opinion survey to gauge public opinion on major national policies, party officials reported Thursday [4 March].

The KMT will use the survey results as a guideline in formulating its future public policies, the officials said.

The party wants to consolidate public support for its cause after the sweeping changes in Taiwan's political situation brought about by the convening of a brand new legislature, the appointment of a new premier and a major reshuffle of the cabinet, the officials noted.

The KMT's cultural affairs department will be responsible for the opinion poll scheduled to be completed before the party's 14th congress. The poll is expected to be the largest opinion survey ever conducted in Taiwan, the officials said.

The KMT congress will be held late this summer, but the exact dates have not yet been set.

Meanwhile, outgoing KMT Secretary-General Sung Chu-yu said Thursday that the ruling party will hold a special meeting next Monday to review its performance in last December's legislative election.

The nation's grand old party suffered a major setback in the last parliamentary poll, garnering a record low 53 percent share of popular vote.

Sung, who has been nominated for the Taiwan governorship, said the political and party affairs panels under the KMT Central Standing Committee (CSC) will formally review the election results for the first time next Monday.

A CSC member, who preferred anonymity, said he hopes that the meeting will be an open-minded discussion of the failures and shortcomings within the party that led to the worse-than-expected election setback.

He noted that the party must learn from the setback, otherwise the year-end city and county chief elections may turn out to be an even worse rout.

Hong Kong

Patten Statement on Delaying Reform Bill

Delay Not 'Indefinite'

HK0503071593 Hong Kong Television Broadcasts
Limited in English 0600 GMT 5 Mar 93

[Statement on Hong Kong's future political development by Governor Chris Patten in the Legislative Council chamber in Hong Kong—live]

[Text] Mr. President, can I say straight away what a pleasure it is to use those words about you for the first time?

Mr. President:

I have an announcement to make this afternoon to fulfill my promise to honorable members to keep them informed of progress on the constitutional development issue.

Honorable members would have heard a number of statements made by senior Chinese officials in the last few days, and I think it is incumbent on me to set out the position as we see it. As honorable members will know, diplomatic contacts have taken place in recent weeks in Peking. Our aim has been to explore whether a firm and productive basis could be found for the two sides to enter formal talks on the arrangements for the 1994-95 elections.

In announcing last week that the bill embodying those arrangements would not be published on 26 February, the Government promised to set out the reasons for the delay. I would like to explain to honorable members this afternoon exactly where we now stand.

Since my policy address last October, we have made clear that we are ready to talk at any time, and without preconditions, in an effort to reach understanding with the Chinese side on these electoral arrangements. This Council is already examining the boundaries and election commission bill. Exco [Executive Council] endorsed on 2 February draft legislation embodying the remainder of the constitutional proposals that I made on 7 October. So there is no mystery about what the draft legislation contains. We passed a copy of it to the Chinese side on 6 February. At the same time, we repeated formally our willingness to talk at any time, without preconditions. And we explained to the Chinese side that the bill was ready for gazetting.

We received a positive response on the principles of talks from the Chinese side. To help ensure that talks got off to the best possible start, I therefore decided, with the advice of the Executive Council, to postpone our original plan for gazetting on 12 February, while making clear to the Chinese side that there could not be an indefinite delay given the practical need to press ahead with the

legislation. We proposed an early starting date for the talks and told the Chinese side of the composition of our negotiating team.

In the absence of a Chinese response, I decided, with the advice of Exco, to delay gazetting for a second time on 19 February, and for a third time on 26 February. We wish to give every possible opportunity for the Chinese side to respond. In my judgment, honorable members and the community would expect us to go the extra mile in an effort to secure productive talks with the Chinese Government.

At the beginning of this week, we did receive a reply. But despite further diplomatic contacts in which we have continued to press for early talks, we have not yet been able to announce a starting date for them. We have made plain that we are ready for the talks to proceed on the basis of the Joint Declaration, the principle of convergence with the Basic Law, and the relevant understanding and agreements reached between China and Britain. We consider our proposals are wholly compatible with these, as, for example, I made clear when I addressed the Legislative Council on 24 October last year. I thought it only right to give honorable members an account of where we now stand. As far as we are concerned, we are ready to talk immediately.

Following further exchanges in Peking this week, there remain only a few points of disagreement which could and should be resolved quickly. In the meantime we judge it best to defer gazetting for a fourth time today.

Governor Answers Questions

HK0503102093 Hong Kong Television Broadcasts
Limited in English 0600 GMT 5 Mar 93

[Question-and-answer session following the statement on Hong Kong's future political development by Governor Chris Patten in the Legislative Council chamber in Hong Kong—live]

[Text] [Simon Ip] Governor, can you please assure this council, that if talks should commence, that they will not be in complete secrecy, and that this council will be kept informed and will be consulted?

[Patten] I think that the foreign secretary made an admirably clear point the other day when he said this, and I quote what I think he said after a meeting with the Honorable Member and some of his colleagues in London: The days when these matters—he was referring to the important constitutional issues—the days when these matters can be settled between London and Peking without taking any account of opinion in Hong Kong have obviously gone. Hong Kong has changed; Hong Kong clearly has a greater wish to have a say in its own future. I think it is legitimate to draw this distinction. I don't think we can hold secret talks, but I think the council would understand that the detail of discussions as they continue has to be confidential. But at the end of those talks, we have to set out, if they take place and if they lead to agreement, exactly what the basis of that is,

and I would hope in those circumstances that the Legislative Council [Legco] would agree that we had behaved in a sensible way for the future interests of Hong Kong.

[Allen Lee] Governor, I agree to what you said in answering Simon Ip's question, but Governor, would you inform this council how the government will consult the people of Hong Kong and this council as to the acceptability of the final agreement reached between the British and the Chinese Governments?

[Patten] I have been impressed by the extent to which the whole community, and not just members of this council, have responded to the proposals which were placed on the table at the beginning of October. Honorable Members will know that many of the proposals which are contained in the compendium of alternatives that we have put forward come from members of the community outside the Legislative Council, so there is huge interest, quite properly, on behalf of the community in how we develop our political institutions. But when it comes to enacting legislation, for example, and legislation will be the basis for going forward with the arrangements for the 94 and 95 elections, then it is this council which reflects the views of the community. I thought the Honorable Member and some of his colleagues, and the Honorable Member sitting in front of me, made the point extremely well this week when they explained the constitutional realities of Hong Kong. And we must remember that constitutional realities are not just dry-as-dust arguments in legal textbooks; they are about the hearts and minds of the people of the community. So at the end of the day we will obviously be debating in the Legislative Council proposals for the 94 and 95 elections; I hope proposals which are the result of successful talks with China, if those take place. We won't be able to take that debate, in a formal sense, outside this community, though the whole community will be extremely interested in the outcome.

[Fred Li] Mr. Chairman, this is now the fourth time that we are deferring the gazettal of the bill. We have some time constraints. Now, Governor, when do you expect will be the latest date for the Legco to pass these reform bills, and with regard to the substance or content of the negotiations, will the content be as the seven items included in your policy address delivered in October?

[Patten] The Honorable Member is quite right in saying that the fact that we have deferred gazettal for four Fridays running suggests that we are proceeding with great care. Nobody could accuse us of rushing ahead. We have done all we can to be conciliatory, to provide every opportunity for talks. I don't think one should believe, however, that to be as positive and constructive and conciliatory as we have been means that one abandons any of one's principles. I think one's principles are perhaps better preserved when one is able to do so in the rational and positive spirit which we have shown in the last few weeks, which I tried to set out in my speech to the Legislative Council last October. I refer Honorable Members, for example, to Paragraph 128 of my speech

on that occasion. While we have delayed gazettal four Fridays, we obviously cannot defer gazettal indefinitely. The more we defer gazettal, the less time there is for any talks which may, I hope, take place, because after talks—which I am sure the whole council hopes will take place and produce an outcome which is fair and open and acceptable to the people of Hong Kong, and acceptable in London, and acceptable in Peking—after those talks, we will have to enact legislation, and if one works back from the end of the process, one sees that we are not dealing with infinity; we are dealing with a calendar in which the Hong Kong clock ticks at just the same pace as the one in Peking and the one in London.

[Yeung Sum] Thank you, Mr. President. My question....

[Patten] One last point. There was one last point which I am very anxious to respond to, but I was so taken with my metaphor about clocks that I went on for longer than the clock should have allowed. The proposals that I put forward in October—proposals which have been debated in this council, proposals which on at least two occasions received the broad endorsement of this council, proposals which were endorsed by the Executive Council in early February—those proposals have been, and are, on the table. I hope that if there are talks, we will learn what alternative proposals Chinese officials have to put on the table. I think the whole community would be interested in that.

[Yeung] Thank you, Mr. President. Could I ask the Governor this: Now, the Chinese Government has repeatedly stated that once the 94, 95 election arrangements have been agreed to, then the British Government and the Hong Kong Government must ensure that it be implemented. Now, would you agree to this precondition, and how could you, during the process, make sure that the Hong Kong Government does play a positive role and can influence the outcome, otherwise the Legislative Council will become a rubber stamp.

[Patten] The Foreign and Commonwealth Office, in London yesterday, made a statement in which, among other things, they made it absolutely clear, in response to some newspaper stories, that there was no question of the governor or the Legislative Council being cut out of decisions about the way Hong Kong is governed. They made it absolutely clear that the government and the Executive Council have been and would continue to be fully involved in the development of policy on the political development of Hong Kong. And they referred, in terms similar to those used by the Honorable Member on my left in Peking earlier this week, to the legislative responsibilities of the Legislative Council. Clearly, if there are talks, which we hope take place, we must enter them in a positive and constructive spirit, and I would hope that talks would lead to a satisfactory conclusion. I find it inconceivable to imagine circumstances in which we thought that a satisfactory conclusion would not be acceptable to the Legislative Council and the people of Hong Kong. Satisfactory conclusions which aren't acceptable in Hong Kong would seem to me not to be

acceptable to anyone, because both the present and the future sovereign power must presumably be concerned about public support in Hong Kong for our governing institutions. So I hope that if there are talks they lead to positive conclusions, and I very much hope that those positive conclusions would be endorsed by the Legislative Council. But I repeat, I can't imagine putting forward proposals at the end of discussions which I didn't believe, and which the British Government didn't believe, would be acceptable.

[Patten] Sorry, there was....

[Yeung] Can I have a follow-up please? Because I am asking....

[Patten] Was there a point I missed?

[Yeung] I am talking about how to prevent Legco becoming a rubber stamp.

[Patten] Legco, as the executive has discovered, in budget debates, in discussions about budgets, and so on over the last year, is anything but a rubber stamp. I say to Honorable Members, and I am sure you won't regard it as abusive, there are occasions where the governor and some of this colleagues in government quite like the idea of you behaving a little more like a rubber stamp. But part of Hong Kong's admirable political development is that you are not a rubber stamp for the 28th British governor of Hong Kong and you won't be a rubber stamp after 1997 either, and that is what part of this argument is all about. Part of the argument is about how we ensure the acquiescence of the community in sensible decisions taken about the short-term and long-term interests of Hong Kong. No rubber stamp here.

[Jimmy McGregor] Governor, China takes the position that the Legislative Council has no standing in regard to the negotiation of agreements between China and Britain. Will China be advised by the British side that any agreement between the two sovereign governments must be finally approved by the Executive and the Legislative Councils and that conceivably changes could be made in any agreement reached in accordance with the will of this council. And that should be understood to the Chinese side before these talks begin.

[Patten] I—being a relatively early riser—I heard the honorable member answering that question extremely well on the "Today Program" this morning. None of us can change or seek to change the constitutional realities. One of the constitutional realities is, of course, that sovereign governments negotiate together. Another of the realities is that the present sovereign government and, I imagine, the future sovereign government, would not wish to come to a solution which was not acceptable to the legislators and to the community of Hong Kong which they are talking about in these negotiations. So I repeat what I said a moment or two ago: I can't imagine circumstances in which the British team in negotiations, in which the British team—which will of course include people who are Hong Kong Government officials—I

can't imagine circumstances in which the British team and the British Government and the governor of Hong Kong would regard as acceptable something which they didn't think would be acceptable to this Legislative Council. That is not undermining of the sovereignty of the parties to any talks. It's a statement of political reality. When one talks about sovereignty, when one defines sovereignty, one can't do it as though one was speaking in a political theory laboratory. One is talking about practical issues, and I have described how things will operate here in Hong Kong. For me to deny that is, would be, similar to me denying the wisdom of Galileo or the fact that there is a harbor in Hong Kong.

[McGregor] If I may ask, I don't think you answered the little bit at the end. In regard to the possibility that this council might seek to change any arrangement reached between the British and Chinese Governments, and that that should be understood by the Chi... [changes thought] I realize, of course, there is this point in regard to our constitutional position, but that the Chinese Government shall understand that very clearly, very clearly from the outset, that changes could be made by this council when these arrangements are brought down here in terms of legislation.

[Patten] This council can amend legislation that is put before it and it can amend legislation that is put before it whatever people outside happen to say. I think if there was an agreement between Britain and China, which was broadly acceptable not only to Britain and China, but to people in Hong Kong, the council would probably think twice or three times or more about amending it in ways which would send Britain back to the negotiating table with China to say: Is this amendment acceptable to you? I think I am stating what is an obvious scenario. So my hunch is, if something was acceptable and was the result of agreement between Britain and China, the Council would probably pass it. But the Honorable Gentleman has described precisely what is the situation in the Royal Instructions and the Letters Patent.

[Tang Siu-tong] Thank you, president. Mr. Governor, Sino-British talks are through diplomatic channels and I wish to supplement what Dr. Yeung Sum has said. During this period, how could you enhance transparency. Will you, at different stages, inform this council of what has been achieved?

[Patten] During various stages of the discussions, I would of course attempt to keep in touch with groups of legislative councillors and individual legislative councillors. But I must make this clear: I wouldn't be in a position in which after every round of talks, if talks took place, I could come to the council and describe exactly what had been happening around the negotiating table, because I think if one was to do that, one would introduce an element into the diplomacy, into the negotiation, which would be frankly unacceptable to both sides. I don't think it would make the negotiations themselves possible or reasonable. But, I would obviously need to keep in touch with the development of

thinking in this council and in Hong Kong in order to give advice during the course of the negotiations, if they take place, about what was likely to be acceptable at the end of the day in Hong Kong. That surely doesn't need stating. That surely is acceptable to everyone. And at the end of any negotiations, if they take place, whether they are successful or whether they are not successful, I will have to be able to explain to the council what has been done, what has been argued for in the name of the United Kingdom and in the name of Hong Kong, defend it, and I hope convince the council that the right decisions have been taken.

[Szeto Wah] Mr. President, if negotiations are to restart, now, China has repeatedly stated that Mr. Patten's reform package must be withdrawn first, and that Britain must assure China that the agreement will be passed by Legco. And also Britain stated repeatedly that there will be no preconditions to the talks. Now, are the things mentioned—preconditions—have you dropped your own reform package? Now if talks are to restart, can we say China has changed its stand? Or shall we say that Britain has changed its stand? Or can we say that both sides have changed their stands, and now there now is a secret consensus?

[Patten] Everybody knows how diplomatic I am, and I would not seek to answer questions on China's behalf. It is for Chinese officials to explain their own position and to state their own position in due course. And I imagine it will be done very plainly as it has been in the last few days. But I repeat without any equivocation, I repeat without any gloss, I repeat without any footnotes, what I have said before and what I have said during the course of the afternoon: We have been happy at every stage to have discussions without preconditions. If we enter into talks, we will enter into talks without preconditions. The proposals made by the governor of Hong Kong last October, debated again and again by this Legislative Council, endorsed by the Executive Council at the beginning of February, are still on the table. How, after that process, could they not be? Others will have to explain, if there are talks, what their position is. But I have set out, I hope clearly, to the Honorable Member and to this honorable house, exactly what my position is, exactly what the Government of Hong Kong's position is, exactly what the Government of the United Kingdom's position is.

[Pang Chun-hoi] Thank you, Mr. President. Mr. Governor, from past experience, we know that Sino-British talks will have to be confidential. So my question is: How could this council and the people of Hong Kong learn about the content of such talks? Then, in your policy address, you have stated that the constitutional development must be open, fair, and acceptable to the people of Hong Kong. These are the principles. Will you be adhering to these principles? And how would you make sure that they are kept to?

[Patten] The first question I think that I answered earlier when I was asked about how we could keep the community informed, and I explained the difficulty when the sovereign powers are involved in difficult diplomatic negotiations. And I think the council, though it will always want us to be more transparent rather than less transparent, understands the difficulties of behaving in that way when negotiations are actually taking place. As for the question of openness, of fairness, and of acceptability, those remain our objectives for talks. I very much hope that we can come off with proposals at the end of the day which are open, and fair, and acceptable. I would very much hope that we can meet those objectives and get an agreement with China, and that the political institutional changes that resulted from that would last through 1997 and be the basis for the good Government of Hong Kong for the foreseeable future. That is my aspiration. If there are talks, and I underline that word, if, again, I don't think that anybody should underestimate the difficulty of achieving those objectives. I don't say that in a defeatist way. I don't say that because if there are talks I will enter them in other than a spirit of optimism and constructiveness as far as one can. But talks will be very difficult. Achieving the objectives I have set out will be very difficult. And it would be wrong and dishonorable of me not to make that point to the community about any talks which may take place. I don't want to sound gloomy. I don't want to sound pessimistic. But these are very difficult matters, difficult for China as well as difficult for the United Kingdom and Hong Kong. And I hope that we can approach them in a spirit of realism as well as with such hope as is appropriate in these circumstances.

[Ronald Arculli] Mr. President, since the governor's policy address in October last year, there has been much discussion about the governor's proposals for constitutional reform. Without really putting too fine a point on whether there is majority or minority support for these proposals, there is, to say the least, a substantial body of opposition against two aspects, namely the nine new functional constituencies and the election committee. Will the Governor perhaps advise this council how these opinions will be taken into account during discussions with the Chinese Government?

[Patten] Obviously those opinions will be taken into account, just as I am sure the Honorable Member would hope that the opinions of those who supported the government's proposals on those matters would be taken into account; just as I hope will be taken into account the fact that there are many members, not least of this Legislative Council, who think that the governor and government have not gone nearly far enough in the proposals on political development that have been put forward, think that we have not actually met the aspirations of the people of Hong Kong for a greater share in determining their own future. Negotiators, if there are talks, will have to be very broad-minded, will have to take account of the broad spectrum of views in the community. I am sure that the British team, I am sure that those

negotiating on the British side of the table, including those members of the team who are Hong Kong Government officials, will be well aware of the fact that when this council has discussed the two particular issues that the Honorable Member refers to, they have given—the councillors, on the whole, have given—a fairly positive response. But I state the obvious when I say I wasn't born yesterday, and I am aware of the fact that the Honorable Member is among those who have, perhaps, reservations about those two particular aspects of my proposals. They are at the heart of the political debate, political argument when it comes to discussing the package, or near the heart of it. And I don't think there is any point in being secretive about that.

[K.K. Fung] Thank you Mr. President. A question for the governor. From the statement made by the Governor, it says that there should be three bases for the talks, that is, the Joint Declaration, then the Basic Law, and then also understandings and agreements reached between China and Britain. So my question is: There are two things that is definite, that is the Joint Declaration and the Basic Law. They are clearly written down in black and white. And yet the last one is actually variables, because we know that there are seven diplomatic exchanges that is known to the people of Hong Kong. My question is: You talk about understandings and agreements between China and Britain. Do these include the seven letters? If that does not include those seven, or it goes beyond those seven, how many more are there? And if they include those seven letters, you do talk about the election committee, and yet the proposals there differ from your proposals, Mr. Governor. So if you say that the seven exchanges are included, does that mean that you have relinquished or abandoned your own proposal in this aspect?

[Patten] No, it does not. As I have explained on a number of occasions this afternoon, the words I used were not casually plucked out of the ether. The words I used were very carefully used, were very carefully constructed. I think it is conceivable that if talks take place, there may be some discussion about the relevant understandings and agreements reached between China and Britain. I hope that discussion does not take too long, because I'd very much like to see the negotiations make very rapid progress. But there may be discussions about all the words, pretty well, in that phrase, including relevant understandings and agreements. And you may be aware of the fact, the Honorable Member may be aware of the fact that there are some differences of opinion about what exactly those words mean. One of the understandings between Britain and China is that we should discuss the arrangements for the 1995 elections. And I will be delighted if, four months after I called for such discussion when I spoke to the Legislative Council, and about three and a half months after I went to Peking and said that I was very happy to have such discussions, I will be very happy if those discussions commence. But I repeat what I said earlier: Alas, I am not able to announce the beginning of talks this afternoon. I hope

that the remaining issues that are outstanding between us can be resolved swiftly, because I don't think we can delay indefinitely the gazettal of legislation and the putting in place of sensible arrangements for the 1994 and 95 elections.

[Fung] I am afraid you have not answered my question, Mr. Governor.

[Patten] Well, I've given the answer to the Honorable Gentleman that I am going to give to the Honorable Gentleman. I think it is a perfectly adequate answer, and I am sorry that the Honorable Gentleman does not agree. But if the Honorable Gentleman wishes to follow up any particular points in his question which he does not think that I have adequately answered, I will be very happy to hear from him, and will respond either in public or in private, whichever he would like.

[President]: In accordance with Standing Orders, I now adjourn the sitting until Wednesday, 10 March 1993.

Article Calls for PRC-British Cooperation

OW0403174693 Beijing XINHUA in English 1547
GMT 4 Mar 93

[Text] Beijing, March 4 (XINHUA)—The practical necessity of genuine cooperation between China and Britain in Hong Kong, is examined in a signed article by T.S. Lo in the latest issue of the magazine "WINDOW" which goes on sale in Hong Kong tomorrow.

In the article, Lo, who is president of the company which owns the magazine, says that China's policy on Hong Kong appears to be influenced by two principles: To recover sovereignty over Hong Kong and to do so without damaging Hong Kong's stability or prosperity.

"Genuinely to recover sovereignty requires the eventual elimination of british colonial administrative influence," writes Lo. "However, to keep Hong Kong stable and prosperous during the transition period and beyond, real cooperation of the British Hong Kong administration is needed."

In Lo's opinion, the development of pure western democracy in Hong Kong would appear to have the result of driving a wedge between Hong Kong and the mainland, and retard the process of recovering sovereignty over Hong Kong.

"We must keep our eye on the ball," says Lo. "The transition to Chinese sovereignty and thence to administration by Hong Kong people is almost upon us. There is much to be done, some of it by China itself, some by Hong Kong people but mostly by China in cooperation with the British Hong Kong administration."

Giving some specific examples, he says "clearly if Hong Kong is to be taken over as a going concern, the genuine cooperation of the british Hong Kong administration during the transition period is needed."

Referring to the dilemma Britain now finds herself in, Lo says that if Britain "pushed Hong Kong to strife, poverty and disorder, the world will see that she will have done so deliberately. If she handed Hong Kong back to China stable and prosperous her allies may blame her for having allowed the Hong Kong tiger to escape to its mountain lair."

"The only solution out of her dilemma appears to be to introduce socially disruptive political reforms and hope that they will succeed at least in diverting Hong Kong's energies to less productive pursuits," writes Lo. "But, as they say, you can't fool all the people all the time."

Lo writes that what is necessary is a realization by the West that China "will never be a threat to it, but will always be complementary instead, and that a united and prosperous China will always be beneficial and never harmful."

"Only then would British cooperation be genuine. Only then would Hong Kong people be able to turn the concept of 'one country two systems' into a reality and a success—the only way that would allow any glory to rub off onto a British withdrawal," concludes Lo.

Article on PRC Negotiating Tactics With UK

HK0403151293 Hong Kong CHENG MING in Chinese No 185, 1 Mar 93 pp 14, 15

[Article by Fan Chun (5400 0689): "Communist China's Negotiating Tactics Toward Britain"]

[Text] Wu Xueqian has pointed out that all talks and consultations are nothing but dressings, which resemble plays, though in terms of diplomatic tactics, talks are always better than stalemate. While Jiang Zemin believes that Britain has violated the most rudimentary nation-to-nation diplomatic principles, pushing Sino-British relations toward a breakdown, Lu Ping stresses that "setting up another kitchen" is China's established arrangement.

Hong Kong People's Wishful Thinking

Will China and Britain return to the negotiating table?

What is China's position on negotiations?

Bafflement, illusions, hopes, and wishful thoughts.... The mood of Hong Kong people deeply troubled by disputes between China and Britain over the political structure fluctuate radically, reacting jumpily and quickly to every little change of events....

China and Britain seem locked in a game of hide-and-seek. On 15 February, rumors of China softening its position sent the stock market up 191 points, enabling the Hang Seng Index to crash through the 6,000 point barrier. But the XINHUA NEWS AGENCY Hong Kong Branch and State Council Hong Kong and Macao Affairs Office immediately came forward with a clarification

denying that China was softening its position and reiterated that Hong Kong Governor Chris Patten had to withdraw his political reform package. The Hong Kong Government responded rapidly to the clarification claiming that there could not be any "preconditions" for talks with Beijing.

While the hide-and-seek game has to come to an end some day, the general concern is to what background music China and Britain will be dancing their tango.

Wu Xueqian: "All Talks Are Nothing But Dressing"

On 15 February, the State Council Hong Kong and Macao Affairs Office called a work conference at which Vice Premier Wu Xueqian, the person in charge of Hong Kong and Macao affairs, explained the tactics of China's high levels toward Sino-British talks, saying that it was only normal for opinions from all quarters to be hoping that China and Britain could resume talks and break the stalemate; this not counting, of course, opinions from ultrarightist organizations and politicians guided by the principle of opposing China. However, we do not have much hope, nor do we entertain any illusion, that the British Government would wisely return to the framework of the Sino-British Joint Declaration. So long as Britain's policies toward China fail to return completely to the Sino-British Joint Declaration and Britain fails to fulfill the understandings and agreements reached between the two countries, any talks and consultations will only be dressing, which, like a play, will run out of audiences if staged too many times.

Wu Xueqian reiterated that any hopes that China would step back, backtrack a little, or that both sides step back a little on matters of principle are impractical and vain. He countered with this question: Except in its history of plundering and aggression, when and where has Britain ever conceded on matters of sovereignty and principle? However, in terms of diplomatic tactics, it is always better to have talks than a stalemate.

It is sad to see that many Hong Kong people have been hoping with enthusiasm that China and Britain would value Hong Kong people's interests. But all this is only a play in the eyes of Communist China!

The Hong Kong and Macao Affairs Office Gathered Information on the Hong Kong Political Situation

In fact, Wu Xueqian's comment was an understatement. The second batch of material compiled by the Hong Kong and Macao Affairs Office, "on Hong Kong's current political development," which was relayed 1 February by the State Council to provincial, city, and autonomous regional party committee offices, showed in its general thrust that China was not at all softening but, on the contrary, maintaining an even tougher position. Relations between China and Britain have plunged into the worst crisis ever.

According to sources, the Hong Kong and Macao Affairs Office's material consists of five main parts:

The first part concerns Britain's strategies and attempts to deliberately stir up confrontation with China.

The second documents key British political figures' speeches and actions that violated and abandoned the Sino-British Joint Declaration.

The third concerns the plans and stratagems of key British political figures and British Hong Kong authorities for opposing convergence.

The fourth concerns the actions and speeches of key British political figures and British Hong Kong authorities in playing the international card in an attempt to meddle with the Basic Law.

The fifth concerns the activities of pro-Britain and anti-China groups and political figures in opposing the Basic Law, advocating "self-rule," and colluding with outside forces.

From this outline we can see that Beijing has a deep-seated, irrational hatred of Patten's political reform package. Relations between China and Britain now are so bad that they rival the "opposing Britain and fighting suppression" during the Cultural Revolution period.

Jiang Zemin: Sino-British Relations Are Moving Toward a Breakdown

The statement above is not an overstatement, because the second batch of information in the "on Hong Kong's current political situation" contains a speech by Jiang Zemin in which he remarked that "Sino-British relations are moving toward a breakdown," showing the serious nature of the problem. Even in 1967, when the Red Guards were "rebellious" at the British Consulate in Beijing, there was no idea of severing ties with Britain among Communist Chinese leaders.

In his speech, Jiang Zemin escalated the dispute with Britain to the level of "nation-to-nation diplomatic principles," saying that in the last three months we have been hoping that the British Government would think thrice and return to the Sino-British Joint Declaration for the sake of long-term interests between it and China and the stability and prosperity of the 5 million Hong Kong people, and would not dig its heels in. But the truth is that our hope and illusion have been dashed. The British Government wanted to make a political gamble with Hong Kong and has been drifting increasingly away from the Sino-British Joint Declaration, publicly tore up the understandings and agreements between the Chinese and British Governments, put forward the idea of amending the Basic Law, which is purely an internal affair for China. This has violated the most rudimentary nation-to-nation diplomatic principles. In both recent-term developments and the direction of change, Sino-British relations are moving toward a breakdown stage.

Thinking That It Is "Wealthy and Powerful, and Hence Can Order Around"

Jiang Zemin also harked back to history and lashed out at Britain's colonialist and imperialistic "evils." The mentality manifested by Jiang Zemin indicates the current CPC leadership's self-complacency at the preliminary achievements of the pursuit of the "socialist market economy" and explains their strong and proud tone.

Jiang Zemin said: Britain should have some self-understanding of its present international status and economic and military strength. The attempt to gain political ends and strategic value in its last colony by relying on hegemonic economic strength and power politics completely misjudges the Chinese Government's persistent and firm position on principles concerning its territory and sovereignty and Chinese people's power. Jiang Zemin stressed that Hong Kong will absolutely not become another copy of Britain's colony in Asia. China is not Argentina, and Hong Kong is not the Falkland Islands. Britain should take a look at history and realize that the era of the Opium War and semicolonialism are gone forever. After the founding of New China, China has parried with Britain on the political, economic, and military fronts.

The Stress on the Position of "Not Budging So Much As an Inch"

Jiang Zemin also made clear the position of "not budging so much as an inch" on the compromise model advanced by some people, saying that after more than 40 years, in this contest for state sovereignty and territory and national pride, there is no way that we will budge so much as an inch, take one step back, or both sides backtrack a little for a compromise. Britain and British Hong Kong authorities can go ahead and unilaterally dismantle the established foundation and pursue another set of practices. We will always have the rights, capability, and ability to set up another kitchen according to the principles of one country, two systems and the Basic Law, free of the influences of British colonialism.

Lu Ping Does Not Entertain Any Hope Toward British Hong Kong

The gist of Lu Ping's speech is: So far, judging from Britain's and British Hong Kong's word and actions, we are not entertaining any hope that Britain would return to cooperation on the basis of the Sino-British Joint Declaration and the Memorandum of Understanding between the two countries. The possibility for cooperation between China and Britain is remote. We have made new evaluations and preparations for a scenario where Britain and the British Hong Kong authorities would in the last four years or so set up obstacles and create incidents on the political and economic fronts and in areas such as infrastructures, people's livelihood, and matters pertaining civil servants; and have calculated that they would definitely create and leave us and the special administrative regional government a range of problems.

Preparations in Place As of 1996 for Any "Drastic Changes in Hong Kong"

Lu Ping continued: As of 1996, we will have preparations in place for possible drastic changes in the transitional period. Based on Britain's policy changes toward China, as of last December we have put together further plans and preparations for:

- Britain completely tearing up the Sino-British Joint Declaration in the transitional period and adamantly pursuing its course.
- Britain creating anti-China incidents to trigger political turmoil.
- Social riots leading to loss of political control; deliberately pushing the economy toward a state of collapse and transferring the reserves back to Britain.
- Britain causing foreign countries to intervene in Hong Kong affairs and internationalizing Hong Kong.

Lu Ping laid particular stress on the point that for each of the serious scenarios listed above, "We have made preparations to respond with swiftness and force."

According to a XINHUA report, there is over \$20 billion in Chinese capital investment in Hong Kong and Macao (most of it in Hong Kong). However, when its "principles" and "sovereignty" are at stake, Communist China would not care for its "collaterals" in Hong Kong. Even when it is sitting at the negotiating table, all it thinks about will still be how to strangle Hong Kong's moderate democracy through "play acting."

Commentary Views Government's Airport Project

HK0403143093 Hong Kong ZHONGGUO TONGXUN
SHE in Chinese 0639 GMT 4 Mar 93

[Commentary by correspondent Zhi Hong (5267 1738): "Does Hong Kong Government Intend To Build the New Airport on Its Own?"]

[Text] Hong Kong, 3 Mar (ZHONGGUO TONGXUN SHE)—While China and Britain have yet to come to an agreement on the overall financing package for the new airport project, the Hong Kong Government has recently been requiring the Legislative Council [Legco] to appropriate, in a slice-by-slice fashion, funds for the core projects for the new airport. Does the Hong Kong Government intend to brush everything aside and "go on its own" to unilaterally build the new airport? If so, this move will indeed be a concern!

Information shows that the Hong Kong Government's appropriation applications to Legco for new airport's core projects consist mainly of: HK\$8.63 billion [Hong Kong dollars] for leveling and foundation laying, HK\$603 million for the sewer system in the West Kowloon central landfill, HK\$270 million for the second-phase construction of the northern part of the West Kowloon landfill, HK\$4.183 billion for the West

Kowloon expressway project, HK\$886 million for the Tsing Yi-Lantau Island trunk line, and so on. The total amount exceeds HK\$17 billion.

Information released by the New Airport Central Project Planning Department shows that the Hong Kong Government later will be asking the Legco Finance Committee for HK\$8.3 billion to foot the bill of the new airport core projects such as the Tung Chung development, Tsing Yi-Ma Wan Bridge, West Kowloon landfill project, northern Lantau Island drinking water supply system, and the management and insurance of corresponding engineering projects. Moreover, according to the 1993-94 expenditure budget for the construction of projects surrounding the new airport, the Hong Kong Government will inject a total of HK\$19 billion in the Provisional Airport Management Bureau, the airport railway, and so on.

So far, of all the major projects surrounding the new airport, there still remain projects of enormous capital, such as the Central-Wanchai landfill, Tsing Yi-Lantau Island trunk line, toll squares, large-scale landfills in the northeast New Territories, the superstructure for the island airport, airport railway, and so on, for which the Hong Kong Government has not applied to Legco for funds or for which funds have been applied but not yet approved.

Many associations and professionals in Hong Kong have showed concern and questioned the Hong Kong Government's obvious moves to "slice off" the new airport core projects for separate construction, saying that if the Hong Kong Government forces its way through to "take on" the new airport on its own, it will have trouble financing the enormously costly projects, laying open the great possibility that the government may not be able to complete some of the corresponding projects and dump the partly finished game to the future Special Administrative Regional government and Hong Kong people. Experts have pointed out that if the Hong Kong Government is to build the new airport alone, it may have the ability to complete with effort part of the project. But due to limited time in the run-up to 1997, rushing through the projects would only cost more than budgeted and would make it hard to guarantee quality, leading to serious waste and allowing contractors to profit from it, and possibly complications such as lawsuits arising from failure to complete the projects before 1997. In connection with this, most of the political groups in Hong Kong, such as the Democratic Alliance for the Betterment of Hong Kong, Association of Democracy and People's Livelihood, and Meeting Point, have separately expressed their concerns to the Hong Kong Government and hoped that it would choose a wise course and start building relevant projects only after China and Britain have agreed on an airport plan.

However, newspapers have reported that Hong Kong Government officials have to date continued to act according to its established policies. It looks like that they are bent on "moving ahead" forcibly. But this

obviously will have violated the memorandum of understanding [MOU] on the airport between China and Britain. China will definitely not agree to this, neither will Hong Kong people agree to the Hong Kong Government's arbitrary and self-assertive action and its refusal to cooperate with China. The wise move for the Hong Kong Government would be to take the initiative to forward a financial scheme based on the spirit of the MOU on the new airport and which could achieve low cost and high efficiency, and consult with China in search of a joint effort to build the new airport.

Editorial Calls Budget 'Politicized'

HK0503062693 Hong Kong WEN WEI PO in Chinese
4 Mar p 2

[Editorial: "A Budget Which Is 'Politicized and Aimed at Winning Popular Sentiment'"]

[Text] The budget this year is richly colored with the characteristics of Western politicians. Patten heaped praise on it, saying that "the budget has fulfilled the targets set out by the policy address."

Since coming to Hong Kong, Patten has greatly changed the prudent administrative strategy of previous governors. Previous governors took long-term interests into account and left room for future political operations and financial arrangements, while Patten, who is entrusted with his mission by the British Government in London, does not have to consider the interests of the special administrative region government which will be set up four years from now, because if he, as the last Hong Kong governor, does not spend the money he will not be able to do so when his term expires.

While the Chinese and British sides are still locked in a political row, Patten is trying to fish for political capital by utilizing government financial surpluses generated over many years past and generously disposing of the government's money. First, he increased administrative expenditure to ingratiate himself with high-ranking civil servants; second, he greatly increased welfare spending to ingratiate himself with the middle class and social workers; and third, he launched many infrastructural projects, with expenditure equal to the total amount of the previous three years, to ingratiate himself with British consortia.

Before the budget was read out before the Legislative Council, the Hong Kong Government distributed pre-printed leaflets at various Mass Transit Railway stations, which told the people that "the budget would bring major benefits to them." For instance, tax allowances will be increased; a hospital will be built in the North District; HK\$2 billion [Hong Kong dollars] will be provided to help the sandwich class purchase flats at a discount; housing subsidies will be made available to staff in aided schools and welfare bodies; [highway]

Route 3 will be built; fares for the elderly will be reduced; social security payments will be increased; another 30,000 families will qualify for an expanded Kindergarten Fee Remission Scheme; and so on. Spending in these fields will be about HK\$13 billion.

This practice of "putting up a show" by distributing leaflets "in the interest of the citizens" has never been seen in Hong Kong under British rule over the last 150 years until 1993, four years from the transfer of sovereignty, which has seen the Hong Kong Government liberally dispose of money. Therefore, political critics in Hong Kong described the budget as "a politicized one aimed at winning the support of the people." The budget implies that the Hong Kong government will continue to invest heavily in capital construction and that it will spend money lavishly with the result that Hong Kong people will pay attention to their minor, immediate interests to the neglect of their overall, long-term, and practical interests.

Many Hong Kong residents discovered that the leaflet telling them the budget would bring major benefits to them reports only the good news and not the bad. The leaflet does not say a single word about increased taxes on alcohol, tobacco, and fuel. What is more important is that nonrecurrent expenditure for the coming fiscal year will rise sharply to HK\$34.4 billion, up 44.5 percent over last year's HK\$23.8 billion. In addition, the Hong Kong Government will set aside a total of HK\$31.5 billion for both the engineering and reserve accounts under the infrastructure reserve fund. None of this was mentioned in the leaflet.

The first budget since Patten assumed office marks a turning point. The government has totally abandoned the past principle of "keeping expenditure within the limits of revenue," and is trying to spend a lot of money while refraining from achieving a fiscal balance. Administrative expenditure in the next fiscal year will reach HK\$153.3 billion, HK\$38 billion more than the HK\$115 billion in the last fiscal year. On the other hand, the Hong Kong Government will reduce its revenues by HK\$4 billion so that Hong Kong will head into the red for the first time in nine years. The deficit will peak next year. Economists have pointed out that spending lots of money will lead to inflation and will increase citizens' financial burdens. The financial secretary was silent about expenditure on the new airport. This made us feel that the government is still keeping actual expenditure on the new airport secret, thus misleading the public. If the expenditure for the project continues to go up, the future financial deficit will become more staggering.

The reason the government can spend money liberally is that a surplus of over HK\$20 billion has been generated in the last two years. If the government keeps spending money in this way, it will exhaust the surplus very soon and the people will lead difficult lives by 1997. Take the United States as an example. Reagan and Bush applied the strategy of "spending a lot of money," but the good times proved short-lived. When Clinton took office, he

faced a pretty mess and huge deficits. He was forced to cut expenditure and increase taxes by a big margin and called on the people to tighten their belts. Patten is playing the same trick so Hong Kong people should guard against it.

What should be affirmed is that the budget raised tax allowances in accordance with public opinion. Over the last few years, tax allowances should have been increased to keep up with inflation. But the financial secretary refused to do so, which resulted in more and more people with low incomes falling into the tax net. This explains the huge surpluses and why the grass roots paid as much tax as the rich. The tax allowances offered in the budget are belated ones. The government should have done this long ago. However, housing costs remain the biggest item of expenditure for employees in Hong Kong. The fact that the government failed to provide more money to increase the supply of low-rent homes shows the government is fond of only bestowing petty favors.

Macao

First Chinese-Language Book on Laws Published

OW0403172493 Beijing XINHUA in English 1633
GMT 4 Mar 93

[Text] Macao, March 4 (XINHUA)—The first Chinese-language book about laws and political systems in Macao, "Introduction to Laws in Macao", has been published by the publishing house of the China University of Political Science and Law.

The 380,000-word book gives an account of civil, criminal and procuratorial laws and political, judicial and economic systems. It also includes explanations about inhabitancy, tax, labor, monetary, trade, tourist and recreational rules and regulations in Macao.

The book is believed helpful for Macao residents and those who conduct political and economic activities in Macao.

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DATE FILMED

8 March 1993
